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NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

THESIS

**VIETNAM'S FOREIGN POLICY TOWARD CHINA SINCE
THE 1970s**

by

Daniel W. Lemon

December 2007

Thesis Advisor:
Second Reader:

Michael Malley
Robert Looney

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VIETNAM'S FOREIGN POLICY TOWARD CHINA SINCE THE 1970S

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Submitted in partial fulfillment of the
requirements for the degree of

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ABSTRACT

There is much debate about how Southeast Asia views China's ascendance on the world stage. Beijing's expanding economic, diplomatic, and military influence has countries in the region concerned about how China will use its new power and influence. Vietnam is particularly concerned, since it shares a border with China and for many centuries was under China's control. Vietnam's experience with China may shed some light on how Southeast Asia is adapting to China's rise.

Today, Vietnam finds itself in a precarious situation. It shares the same political ideology as Beijing and maintains a communist government. Since 1986, Hanoi has adopted aspects of China's economic development road map and has embarked on a program to transform and open its economy to Western markets. However, its proximity and past experience with China makes Vietnam suspicious of China's rise. In particular, Vietnam fears that China will use its growing power to force Vietnam to accept China's claims to territories along their mutual land border and in the Tonkin Gulf.

This thesis explores Vietnam's foreign policy strategy toward China since the 1970s. It contends that Vietnam's foreign policy has shifted from the traditional balancing act in the 1970s to one of engagement and soft balancing in the early 1990s. Since then, Hanoi has pursued a dual strategy of economic and diplomatic engagement with Beijing while simultaneously linking itself economically and diplomatically to other states and regional forums to ensure it has options to counter China's aggressive posture. This thesis finds that since the 1990s Vietnam has used a soft balancing strategy of diplomatic entanglement and limited security cooperation with various countries to cope with China's growing influence in the region.

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I. INTRODUCTION

A. PURPOSE

This thesis explores Vietnam's foreign policy strategy in response to China's rising influence in Southeast Asia. Specially, the thesis examines Hanoi's relations with Beijing from the 1970s to the early 2000s in order to identify trends or shifts in its diplomacy with China. The research primarily focuses on diplomatic, economic and security issues in relations between the two countries. The thesis provides evidence that Vietnam's strategy toward China has evolved over time from one of traditional balancing against China to a soft balancing approach using diplomatic entanglement and limited security agreements with various countries and regional institutions to counter China's growing power.

B. IMPORTANCE

China's ascendance on the world stage has many countries concerned about its future intentions. In particular, Southeast Asian countries are acutely aware of Beijing's expanding economic, diplomatic, and military influence. China's economic growth has averaged 9 percent per year over the past fifteen years, while its military budget continues to grow at double-digit rates.¹ For Southeast Asia, China's rise brings opportunities to increase trade and economic growth but also brings apprehension about how Beijing will use its emerging power. In the past two decades, many countries in the region have enjoyed unprecedented economic growth. A majority of the countries have improved their standard of living through the pursuit of free market systems and foreign direct investment. However, as Beijing's economy continues to grow, it competes with Southeast Asian countries for foreign direct investment and access to Western markets. Moreover, while economic development remains a top priority for many governments in the region, China's proximity to the region and its growing powers have Southeast Asia concerned about the prospects for the future. Experts believe the Chinese military will

¹Marvine C. Ott, "Southeast Asia Security Challenges: America's Response?" *Strategic Forum*, no. 222 (October 2006): 5. <http://www.ndu.edu/inss>; (accessed January 27, 2007).

have the ability to project its forces “beyond China’s coastal periphery within ten to twenty years.”² The question countries in Southeast Asia are asking is will China’s rise affect their security and economic growth?

Southeast Asian nations share a common goal: to maintain their sovereignty and prevent the superpowers from dominating the region. As such, in 1967 the Association of Southeast Asian Nations (ASEAN) was created by states in the region to gain a larger voice on the international stage. Since then, “ASEAN’s traditional goal has been to prevent any outside power too much influence over any country in the region or region as a whole.”³ Prior to the European colonial period, areas in Southeast Asia were dominated by ethnic Chinese in terms of economic and trade. Additionally, certain regions, especially what are today Vietnam, Laos and Cambodia, were largely under China’s sphere of influence. Following the onset of European colonialism, China’s influence sharply diminished. After colonialism and World War II, the Chinese attempted to assist communist movements to gain power in the newly independent countries during the Cold War. Today, many ASEAN nations fear a rising China due in part to this historical memory.

Historically, Vietnam’s relationship with China has fluctuated from full blown hostilities to eras of close collaboration. China ruled Vietnam for approximately 1,000 years before Vietnam became independent.⁴ In the post World War II era, Hanoi and Beijing maintained a close relationship in the 1950s and 1960s as the Vietnamese were fighting France and the United States for independence and unification. During this time, “China sent thousands of advisors to assist Hanoi with economic and military planning.”⁵ In the late 1970s the two countries’ relationship deteriorated due to friction caused by the Sino-Soviet split. Hanoi sided with Moscow which caused tension in its relationship to

² Ott, “Southeast Asia Security Challenges,” 5.

³ Amitav Acharya, “Will Asia’s Past Be Its Future,” *International Security* 28, no. 3 (Winter 2003/04): 153.

⁴ Henry J. Kenny, *Shadow of the Dragon: Vietnam’s Continuing Struggle with China and the Implication for United States Foreign Policy* (Washington, DC: Brassey’s, 2002), 25.

⁵ Rames Amer, “Sino-Vietnamese Relations: Past, Present and Future,” in *Vietnamese Foreign Policy in Transition*, ed. Carlyle A. Thayer and Ramses Amer (New York, NY: St. Martin’s Press, 1999), 26.

Beijing. In 1979 the two sides fought a war over Vietnam's invasion of Cambodia and continued to maintain a shaky relationship throughout the 1980s. In 1991, Hanoi and Beijing once again established normal relations.

Today, Vietnam finds itself in a precarious situation. It shares the same political ideology as Beijing and maintains a communist government. Since 1986, Hanoi has adopted aspects of China's economic development road map and has embarked on a program to transform and open its economy to Western markets. However its proximity and past conflicts with China makes Vietnam suspicious of China's rise. There remain unresolved tensions and lingering suspicions between the two countries. Hanoi and Beijing still have territorial disputes ranging from maritime issues in the Gulf of Tonkin to conflicting claims of sovereignty over the Spratly and Paracel Islands. Additionally, there is economic competition between the two countries to attract foreign direct investment and export western markets.

There is much debate about how China's rise has affected Southeast Asia. Experts suggest China's "charm offensive" toward the region since the late 1990s has brought about an improvement in relations. Over the past two decades, Beijing has moved to, "...improve China's image to reduce fears of an aggressive, threatening China."⁶ Moreover, during testimony before the United States Senate's Foreign Relations Committee in June 2005, Christopher Hill, Assistant Secretary of State for East Asia and Pacific Affairs, said, "China's most dramatic diplomatic, political and economic gains of the past few years have been in Southeast Asia."⁷ Experts on China suggest Beijing's goal is to slowly wean the region away from United States' influence and take its own action to "increase power and influence to become a regional or global great power."⁸ Recent public opinion polls indicate that China may be succeeding. They show

⁶ Michael A. Glosny, "Heading toward a Win-Win Future? Recent Developments in China's Policy toward Southeast Asia," *Asian Security* 2, no. 1 (2006): 26.

⁷ Christopher R. Hill, Assistant Secretary of State for East Asia and Pacific Affairs. "*Emergence of China in the Asia-Pacific: Economic and Security Consequences for the United States*," Statement before United States Senate Foreign Relations Committee, June 7, 2005. <http://www.state.gov/p/eap/rls/rm/2005/47334.htm> (accessed on March 20, 2007).

⁸ Glosny, "Heading toward a Win-Win Future?" 26.

that China has gained favorable support, while public opinion of the United States in Southeast Asia has dropped since Operation *Iraqi Freedom*.⁹

From a United States foreign policy perspective, “Hanoi is a critical gauge of some of the most intractable problems facing Southeast Asia with regards to China.”¹⁰ Among Southeast Asian countries, Vietnam arguably has the longest history and most extensive experience of dealing with China. Vietnam is geographically located in the heart of Southeast Asia and near several strategic areas, most notably the South China Sea. It still claims sovereignty, along with China and six other ASEAN countries, over many of the Paracel and Spratly Islands. The South China Sea is an important transportation route, through which sea vessels transport over “30 percent of the world’s trade and over 50 percent of the world’s energy shipments.”¹¹ This sea corridor is the main route for oil shipments and trade for China, Taiwan, South Korea and Japan. As such, many countries in the region are concerned about its potential to be a flash point in Asia. Understanding how a Southeast Asian country responds to a rising China will assist United States policy makers in formulating a strategy to ensure peace and prosperity in the region.

C. LITERATURE REVIEW

There are two main schools of thought on how Southeast Asia views China. From the realist point of view, states operate in an anarchic international system and seek security and power. Realists believe states which feel threatened by a stronger country have two options: to balance against the stronger side or bandwagon with the stronger side. Balancing in international relations is the proposition that states join or seek alliances in order to avoid domination by a stronger power.¹² In contrast, bandwagoning

⁹ Ott, “Southeast Asia Security Challenges,” 5.

¹⁰ Evelyn Goh, “Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies,” *The East-West Center*, Washington (2005): 6.

¹¹ Richard Armitage and Randy Shriver, “Trade with Vietnam,” *The Washington Times*, July 18, 2006: 19.

¹² Stephen Walt, “Alliance Formation and the Balance of World Power,” *International Security* 9, no. 4 (Spring 1985): 5.

is defined as the tendency of states, “to ally *with* rather than against the dominant side.”¹³ One group believes Southeast Asian countries will bandwagon with China, while the other suggests that these countries will balance against it. The bandwagoning camp asserts that countries in the region have improved relations with China and have not demonstrated any signs of balancing against China. Moreover, this camp suggests that Southeast Asia has developed close and deep economic ties with China and shares cultural attachments which will lead to bandwagoning with Beijing in the future.¹⁴ In contrast, the other group posits that Southeast Asia will eventually balance against a rising China. Evidence of this is that ASEAN countries have modernized their military in response to Beijing’s emerging powers in the region.¹⁵ Moreover, this camp states that not all nations have aligned themselves with China with the exception of Burma and North Korea.¹⁶ The literature on Vietnam’s foreign policy strategy closely mirrors the Southeast Asia debate but consists of three main camps: balancing, bandwagoning and hedging.

1. Balancing

In Vietnam’s case, realists fear China is attempting to spread its influence into Southeast Asia in the form of military, economic and diplomatic maneuvering. Due to Vietnam’s proximity to China, it is threatened by Beijing’s increased powers and its future intentions. In fact, many scholars believe China is attempting to increase its sphere of influence in Southeast Asia and slowly wean the region away from U.S. influence. As a result, Vietnam’s political leaders have reservations about China’s growing influence in the region.¹⁷

¹³ Walt, “Alliance Formation,” 5.

¹⁴ David C. Kang, “Getting Asia Wrong: The Need for New Analytical Frameworks,” *International Security* 27, no. 4 (2003): 82.

¹⁵ Acharya, “Will Asia’s Past Be Its Future,” 151.

¹⁶ Ibid.

¹⁷ Denny Roy, “Southeast Asia and China: Balancing or Bandwagoning?” *Contemporary Southeast Asia* 27, no. 2 (August 2005): 305.

Due to Vietnam's historical memory of China and its current threat perception, Vietnam seeks to protect itself from a rising China. Vietnam balances against China through multilateral forums, such as the Association of Southeast Asian Nations (ASEAN). This balancing camp believes Hanoi uses ASEAN to "partly transform bilateral Sino-Vietnamese disputes into multilateral agenda involving Beijing and ASEAN as a group."¹⁸ Moreover, Vietnam has made small gestures and has hinted it is willing to cooperate with the United States on possible security cooperation in the region to balance China's influence.¹⁹ Vietnamese leaders privately view the United States as a stabilizing and balancing force in Southeast Asia.

2. Bandwagoning

This camp suggests Vietnam bandwagons with China to appease the stronger side and to gain economic incentives from collaboration. Senior officials in Vietnam's government take notice of China's ability to "...achieve spectacular [economic] growth while keeping a tight lid on political change."²⁰ Additionally, Vietnam has sought to normalize relations with China and does "check" with Beijing before entering any large foreign policy decisions. For example, when Vietnam joined ASEAN in 1995, Hanoi made it clear to reporters that Vietnam's entry into the regional forum should not worry China.²¹ This bandwagoning strategy allows Vietnam to focus on economic development and mitigates hostilities between China which "lives next door" and Vietnam.²²

¹⁸ Jörn Dosch, "Vietnam's ASEAN Membership Revisited: Golden Opportunity or Golden Cage?" *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 28, no. 2 (2006): 242.

¹⁹ Roy, "Southeast Asia and China," 307.

²⁰ Tuong Vu, "Forever Red," *Worth* (December 2005).

²¹ David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks." *International Security* 27, no. 4 (2003): 81.

²² Alexander Vuving, "Strategy and Evolution of Vietnam's China Policy: A Changing Mixture of Pathways," *Asian Survey*, no. 6 (November/December 2006): 809.

3. Hedging Camp

This particular viewpoint believes Hanoi's strategy is to "cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another."²³ To illustrate, Vietnam uses economic relations to deepen ties with China and multilateral forums such as the Association of Southeast Asian Nations (ASEAN) to engage China. Vietnam is China's largest trading partner. Furthermore, the two countries have agreed to collaborate on further economic integration in terms of Chinese's foreign aid to Vietnam and an economic corridor from Kunming (China) to Hai Phong (Vietnam).²⁴ However, Vietnam continues to pursue relations with the United States, India, the European Union, and ASEAN for economic growth and security.

Overall, this camp believes Hanoi's plan is to "repair and deepen its relationship with China, while simultaneously buttressing this by seeking a great power to counterweight Chinese ambition."²⁵ They argue Hanoi eventually wants to "build up its own national strength and resilience and the boosting of its potential internal balancing capability."²⁶ The hedging camp suggests Vietnam walks a very fine line in its strategy toward the United States, ASEAN, and China, and makes adjustments depending on its national interest.²⁷ Finally, the reason for hedging is that Hanoi cannot get too "cozy" with either Washington or Beijing because it makes the other country uncomfortable.²⁸ Vietnam does not want to be seen as a bulwark for China containment but does want to court trade with America's firms and United States support in security relations in Southeast Asia.

²³ Goh, "Meeting the China Challenge," 41.

²⁴ Mark Manyin, "U.S. Vietnam Relations: Background and Issues for Congress" Updated November 28, 2006, *US Congressional Research Office*, 24. <http://www.fas.org/sgp/crs/row/RL33316.pdf> (accessed July 12, 2007).

²⁵ Ibid.

²⁶ Goh, "Meeting the China Challenge," 41.

²⁷ Dosch, "Vietnam's ASEAN Membership Revisited," 234-258.

²⁸ Carl Zissis, "The Surging Vietnamese Economy," *Backgrounders, Council of Foreign Relations*, Oct 30, 2006. <http://www.cfr.org/publication/11846/> (accessed January 12, 2007).

4. Overall Literature Review

The literature approaches Vietnamese foreign policy in the traditional sense of balance of power. Additionally, the hedging strategy states that Vietnam will continue to stay in the “middle” of balancing and bandwagoning. However, as China continues to rise and gain influence, has Vietnam picked a strategy besides balancing, bandwagoning or hedging?

New academic work in the international relations field suggests states have a choice between “hard balancing” and “soft balancing.” It argues in the post-Cold War era states may use varying degrees of balancing and that “hard balancing reflects the traditional realist approach to forming and maintaining military alliances to balance a strong state or to forestall the rise of a power or threatening states.”²⁹ In contrast, “soft balancing involves tacit non-offensive coalition building to neutralize a rising or potentially rising threatening power.”³⁰ Moreover, the characteristics of soft balancing are:

Soft balancing involves tacit balancing short of formal alliances. It occurs when states generally develop ententes or limited security understandings with one another to balance a potentially threatening state or rising power. Soft balancing is often based on limited arms buildup, ad hoc cooperative exercises, or collaboration in regional or international institutions; these policies may be converted to open hard balancing strategies if and when security competition becomes intense and the powerful state becomes threatening.³¹

Moreover, I will apply both T.V. Paul’s and Robert A. Pape’s characteristics of soft balancing to isolate and call out the soft balancing techniques Hanoi uses against

²⁹T.V. Paul, James J. Wirtz, and Michel Fortmann, *Balance of Power: Theory and Practice in the 21st Century* (Stanford, CA: Stanford University Press, 2004), 14.

³⁰ Ibid.

³¹ Ibid.

Beijing. Pape states that characteristics of soft balancing are territorial denial, entangling diplomacy, and economic strengthening.³²

Territorial Denial: Superior states often benefit from access to the territory of third parties as staging areas for ground forces or as transit for air and naval forces. Denying access to this territory can reduce the superior state's prospects for victory, such as by increasing the logistical problems for superior state or compelling it to fight with air and sea alone, constraints that effectively reduce the overall force that a stronger state can bring to bear against a weaker one.

Entangling Diplomacy: Even strong states do not have complete freedom to ignore either the rules or procedures of important international organizations or accept diplomatic practices without losing substantial support for their objectives.

Economic Strengthening: Militarily strong — threatening states that are targets of balancing efforts usually derive their military superiority from possession of great economic strength. One way of balancing effectively, at least in the long run, would be to shift relative economic power in favor of the weaker side. The most obvious way of doing this is through regional trading blocs that increase trade and economic growth for members while directing trade away from non-members. If the superior state can be excluded from the most important blocs, its overall trade and growth rates may suffer over time.

For the purpose of this thesis, I will narrow down Paul's characteristic of soft balancing as, "limited security understandings to balance a potentially threatening state or rising power." To summarize, the categories for soft-balancing are: 1) Territorial Denial; 2) Entangling Diplomacy; 3) Economic Strengthening; and 4) Limited Security Understanding to balance a potentially threatening state or rising power.

While Vietnam is not in danger of an immediate military attack from China, there are areas of contention which could affect the Vietnamese economy and territorial sovereignty. Specifically, with regards to economics, Vietnam does compete with China for United States markets and foreign direct investments. Regarding territorial issues, China and Vietnam in the 1990s and up to present day have disputes over the land border

³² Robert A. Pape, "Soft Balancing Against the United States," *International Security* 30, no. 1 (Summer 2005): 36.

and maritime claims. The thesis will assess whether if Vietnam is using a “soft balancing” strategy to deal with China’s rise in Southeast Asia.

D. OVERVIEW

This thesis will explore Vietnamese foreign policy from the 1970s to the early 2000s to investigate whether Hanoi used or is using a “soft balancing” strategy or approach with respect to China’s gaining economic, military and diplomatic influence in Southeast Asia.

To build a case, I will use case studies to examine Hanoi’s past strategy in diplomatic and economic arenas to comprehend how it deals with Beijing with respect to economic development, security related issues such a maritime and land border disputes. The case studies will concentrate on Vietnam’s economic and diplomatic maneuvers to analyze any trends in policies against China.

The remainder of this thesis is divided into three main chapters. In Chapter II, I examine Vietnam’s approach to China from the 1970s through 1991. This was a unique era in their relationship because Vietnam first collaborated with China to unite its country and then both sides experienced tension due a competition for power and influence in Southeast Asia. Next, in Chapter III, I explore Vietnam’s economic strategy in the wake of China’s economic rise. In this period, Vietnam was able to develop economic and diplomatic relations with other countries to enhance its position against China. This strategy allowed Vietnam to link its economy to other countries which prevented an over reliance on China for economic growth. From there, Chapter IV will explore Vietnam’s actions concerning areas of contention with regards to its land border and maritime disputes with China. This section will illustrate how Hanoi has used economic and diplomatic linkages to softly balance China through diplomatic entanglement and limited security cooperation with various countries and regional forums. Finally, the last chapter provides recommendations for U.S. policy toward Vietnam due to the fact Hanoi engages in a soft balancing strategy against China.

II. VIETNAM-CHINA RELATIONS 1970 TO 1990

A. INTRODUCTION

The purpose of this chapter is to examine Vietnam's foreign policy strategy *vis-a-vis* the People's Republic of China (PRC). The chapter focuses on the diplomatic and political fronts of national security and not on the economic or security aspects. It examines Hanoi's strategy over three decades, the 1970s through the 1990s.

The section shows that Vietnam's foreign policy from the 1970s up until the 1990s was based on a traditional balancing act against China to ensure its sovereignty and independence. It reveals that Vietnam balanced against the China threat using the Soviet Union to counter China's aggressive behavior. However, in the 1980s as the Soviet Union shifted its foreign policy, Vietnam realized it would lose a superpower sponsor and sought to make peace with China.

B. BRIEF HISTORY PRIOR TO 1970

Interaction between Vietnam and China began over 2,000 years ago. Throughout their histories, the countries have experienced eras ranging from full cooperation and friendship to outright hostilities and war. China, the dominant country in terms of population, culture, military power and economic clout has exercised its might over its smaller neighbor, Vietnam. The Vietnamese were under China's sphere of influence for over 1,000 years up to the tenth century, C.E. Since then, relations between Vietnam and China have continued to oscillate from periods of relative peace to periods of friction and open conflict. In fact, China invaded Vietnam in the thirteenth, fifteenth and eighteenth centuries. Scholars view only a small time period during China's century of humiliation and Vietnam's colonization by the French as a point in which Vietnam did not concern itself about the China threat.³³ At the end of the European colonial era in Asia and in certain periods of the Cold War, Vietnam and China collaborated to gain independence from Western Powers.

³³ Kenny, *Shadow of the Dragon*.

During the U.S. involvement in Vietnam in the 1960s and 1970s, China provided economic assistance and military aid to its communist comrades, the North Vietnamese. The China threat of joining the war on the side of North Vietnam in the 1960s served as deterrence and “assured (North) Vietnam that there would be limits to U.S. escalation.”³⁴ In this period the relationship was described by the PRC as close as “lips and teeth.” However, in the 1970s relations between Vietnam and China began to break down. The China threat and its aggression once again galvanized the country and as one scholar states, “Vietnamese fear of being overwhelmed by the colossus to the north drove the people of Vietnam to define themselves as a people and a nation.”³⁵

C. VIETNAM AND CHINA RELATIONS 1970S—EVOLUTION FROM FRIENDSHIP TO ENEMIES

The section is divided into three main parts. The first part will discuss China’s action toward Vietnam in the mid to late 1970s. The next section will look at the international environment which shaped the countries behavior. Finally, the last section concludes with how Hanoi’s response to the international scene, its actions toward ethnic Chinese and its invasion of Cambodia caused a brief war with China.

1. Sino and Vietnamese Interaction

An examination of the 1970s reveals a turning point in Vietnam’s relations with China. The decade began with close collaboration as China assisted its fellow communist comrade, North Vietnam, with fighting “imperialist aggression” from the United States in South Vietnam. Once the United States, South Vietnam and North Vietnam signed the Paris Peace Agreement in 1973, relations between the China and North Vietnam began to diverge.

China attempted to take a leadership role in Indo-China upon the signing of the Paris Peace Agreement. This ran contrary to Vietnam’s own ambition and expectations of its own leadership in Indochina. The Vietnamese stated that “...Chinese leaders had

³⁴ Robert S. Ross, *The Indochina Tangle* (Columbia, NY: Colombia University Press, 1988), 25.

³⁵ Kenny, *Shadow of the Dragon*, 44.

advised them to diminish the level of the fighting in the South for a couple of years, advice perceived as aiming to keep Vietnam divided.”³⁶ At approximately the same time China requested restraint from Hanoi, Beijing launched a military operation in January of 1974 and seized control of the Paracel and Spratly archipelagos in the South China Sea from the Republic of Vietnam (South Vietnam).³⁷ Both China and Vietnam (North and South) had claimed the islands for centuries. Moreover, to amplify the situation, over 300 border incidents occurred between North Vietnam and China from 1974 through 1975.³⁸

China’s actions in the South China Sea, the border clashes, and the PRC’s request for Vietnam to show restraint and wait to unify South Vietnam with the North began to cause friction between the countries. But, Vietnam continued to ally itself with China and cooperate because it required economic assistance and security.

2. International Environment

In the 1970s, Vietnam found itself in the middle of a dispute between the Soviet Union and China which spilled over into Southeast Asia. The United States retrenchment from Southeast Asia after the fall of Saigon in 1975 caused a power vacuum in the region with China and the Soviet Union looking to fill the void. As Laos and Cambodia fell to communist regimes, the question was who would lead the communist nations in the region, the Soviet Union or China? Who would have Vietnam’s allegiance?

Against the backdrop of the power struggle and competition between Moscow and Beijing for Hanoi’s allegiance, relations between Vietnam and China were already strained due to Beijing’s “tilt” toward Washington during the early portion of the 1970s. This severely impacted Vietnam’s relations with China as Beijing approached Vietnam’s enemy, the United States “with a policy of détente.”³⁹ China’s invitation to host

³⁶ Amer, “Sino-Vietnamese Relations: Past, Present and Future,” 69.

³⁷ Ibid.

³⁸ Ross, *The Indochina Tangle*, 33.

³⁹ Tatsumi Okabe, “Coping with China,” in *Vietnam Joins the World*, ed. James Morley and Masashi Nishihara (Armonk, NY: M.E. Sharpe, Inc., 1997), 119.

President Nixon and the eventual “Shanghai Communiqué” in 1972 following the visit caused resentment and suspicion from Hanoi.

Meanwhile, the Soviets courted Vietnam to fill the power vacuum in Southeast Asia and to “encircle” China through alliances near Beijing’s northern and southern zones.⁴⁰ China was aware of Soviet ambitions and warned Hanoi about its friendship toward Moscow. China’s news agency described Russia as, “a superpower which carries the signboard of ‘socialism’ betrays the cause of revolutionary struggle...and pursues the imperialist policy of expansion.”⁴¹

As previously stated, Vietnam sought to exert its leadership in Indo-China after defeating France and the United States. However, China wanted Vietnam to play the junior partner in Indo-China and kowtow to Beijing. Hanoi was suspicious of Beijing’s “partnership” with Washington and chose to lean toward Moscow.⁴² Moreover, Vietnam perceived a weakness in China in the mid-to late 1970s. Beijing was recovering from the Cultural Revolution and its economy was in chaos.⁴³ Moreover, when China, under Deng Xiaoping, adopted economic reforms which included tenets of capitalism, the Vietnamese leaders “...reacted with disdain for the path chose by China”⁴⁴ The reasons were clear, Hanoi had just fought two successive wars with “western” imperialists. As Vietnam viewed a weakness in China, it attempted to gain influence in the region.

Vietnam made positive strides with its relations with Laos in mid 1976 which raised eyebrows in Beijing. The two countries signed economic arrangements to facilitate trade. Also, Vietnam provided Laos with the use of its port facilities in Danang for imports and exports of goods. This was crucial to Laos since Thailand cut off the Thai-Lao border. Additionally, in 1976 China estimated that there were 30,000 Vietnamese troops in Laos which suggested military cooperation.⁴⁵ It was at this point

⁴⁰ Ross, *The Indochina Tangle*, 34.

⁴¹ Ibid, 35.

⁴² Kenny, *Shadow of the Dragon*, 99.

⁴³ Ibid., 79.

⁴⁴ Ibid.

⁴⁵ Ross, *The Indochina Tangle*, 95.

where China became concerned about Soviet assistance to Vietnam and announced it would turn off economic aid to Vietnam in 1977. The reason China provided was it had to use the resources for its domestic agenda. Moreover, China stated Vietnam had not paid back insisting loans.

After China turned off economic aid to Vietnam in 1977, the country signed on to the Soviet-led Council for Mutual Economic Assistance in 1978, further tilting toward Russia. This led to a series of diplomatic jabs between Vietnam and China. However, one main event which heightened tensions was Hanoi's treatment of ethnic Chinese in Vietnam.

3. Vietnam Actions with Ethnic Chinese and the Invasion of Cambodia

In 1977, approximately two years after unification, Vietnam attempted reforms to abolish private business and implement socialism. This policy especially disrupted the lives of approximately two million ethnic Chinese in Vietnam who were heavily involved in economic institutions.⁴⁶ An example of what occurred in the country is Vietnamese army personnel subsequently entered private business in southern Vietnam, taking inventory of the premises, and on March 23 (1978) Hanoi announced, 'effective immediately', the end of private trade and business in southern Vietnam.⁴⁷ Additionally, the Vietnamese forced ethnic Chinese to relocate to the country side and become farmers. Moreover, on April 1978 ethnic Chinese were forced to flee Vietnam from the north into southern China. Beijing was occupied with domestic strife in the wake of the failed culture revolution and now was forced to absorb 260,000 refugees (230,000 ethnic Chinese) crossing its southern border from Vietnam.⁴⁸ Apparently, "The Vietnamese explained that the campaign that led to the mass exodus of ethnic Chinese was part of a 'class struggle' and suggested that the fight had been encouraged by China."⁴⁹

⁴⁶ Amer, "Sino-Vietnamese Relations: Past, Present and Future," 103.

⁴⁷ Ross, *The Indochina Tangle*, 177

⁴⁸ Amer, "Sino-Vietnamese Relations," 103.

⁴⁹ Okabe, "Coping with China," 117.

The PRC attempted to show leadership and stepped in to negotiate and privately intimidate Vietnam over the issue of ethnic Chinese. Vietnam brushed aside China's concern. As China protested, the Vietnamese viewed this as an attempt to involve itself in the internal affairs of Vietnam.⁵⁰ Beijing further viewed actions by Hanoi as the "USSR encouraged Vietnam's 'persecution' of ethnic Chinese and its refusal to bow to China's demands."⁵¹ Beijing sent passenger ships to "bring home persecuted Chinese."⁵² However, the ships returned empty as the two countries did not agree on where the ships could enter Vietnam. China eventually responded with the public threat of military action.⁵³ The harsh rhetoric backed by military threat would lead Vietnam to fully balance against China with Russia.

Due to China's looming threat and past hostilities, Vietnam signed a 25 year Treaty of Friendship and Cooperation with the Soviet Union in November 1978.⁵⁴ This treaty allowed the Soviet Union's military access to airports and particularly the seaport in Cam Ranh Bay. Additionally, it provided Hanoi with economic aid and military cooperation to counter the China threat. The treaty also implied Soviet support and intervention on behalf of Vietnam should China interfere with its plans to invade Cambodia.⁵⁵ Events in Cambodia in 1978 would spark a border war between Vietnam and China.

In 1975 the Vietnamese felt slighted about Cambodia's re-capturing the lower Mekong delta from the newly united Vietnam.⁵⁶ However, at the time Vietnam was not in a position to take action. But, in 1977 there were additional concerns as the "Khmer Rouge attacks across the Vietnamese frontier were jeopardizing crucial rural resettlement

⁵⁰ Amer, "Sino-Vietnamese Relations: Past, Present and Future," 102.

⁵¹ Ibid., 103.

⁵² David G. Marr, "Sino-Vietnamese Relations," *The Australian Journal of Chinese Affairs*, No. 6 (July 1981): 58.

⁵³ Ross, *The Indochina Tangle*, 199.

⁵⁴ Amer, "Sino-Vietnamese Relations: Past, Present and Future," 72.

⁵⁵ Ross, *The Indochina Tangle*, 197.

⁵⁶ Marr, "Sino-Vietnamese Relations," 57.

and development programs.”⁵⁷ Moreover, in 1978, repeated border clashes between the two sides continued. As Sino-Vietnam relations experienced tensions and fragmentation due to several factors mentioned earlier, Beijing’s relations with Cambodia were excellent. As China’s aid to Vietnam dwindled to zero, its economic and military aid to Cambodia began to rise. Beijing now viewed Cambodia as the bulwark of defense against the Vietnam-Soviet alliance.⁵⁸

Vietnam cited the repeated Cambodian incursions into its territory as the reason for taking offensive action which infuriated China. Vietnam invaded Cambodia in December 25, 1978, and quickly overthrew the Khmer Rouge and replaced it with the Heng Samrin government by early 1979. China began its whirlwind of activities to isolate Vietnam. Beijing used its power on the United Nations Security Council to condemn Hanoi’s attack on Phnom Penh. On the international stage, China lashed out with harsh rhetoric about the Vietnamese invasion. China attempted to rally support on the international stage and Southeast Asia. Accordingly:

Beijing contended that the Vietnamese occupation of Kampuchea and its domination of Laos was not an ‘isolated event’ or ‘local issue’ since it not only revealed Hanoi’s ambition to dominate all of Indochina but also represented an important component of the Soviet attempt to further its strategy of seeking world hegemony.⁵⁹

Beijing was concerned about the Soviet-Vietnam alliance and its attempt to encircle China via Cambodia. As a result, China decided to take military action. On February 17, 1979, the Chinese Peoples’ Liberation Army (PLA) moved into Vietnam to “teach Vietnam a lesson” and secure its withdrawal from Cambodia. The PLA sent approximately 80,000 troops across the border at 26 different points into Vietnam.⁶⁰ The Vietnamese engaged the PLA with approximately 75,000 to 100,000 reserve troops.⁶¹

⁵⁷ Marr, “Sino-Vietnamese Relations,” 57.

⁵⁸ Amer, “Sino-Vietnamese Relations: Past, Present and Future,” 101.

⁵⁹ Pao-min Chang, “Beijing versus Hanoi: The Diplomacy over Kampuchea,” *Asian Survey* 23, no. 5 (May 1983): 599.

⁶⁰ Brantly Womack. *China and Vietnam: The Politics of Asymmetry* (Cambridge University Press: New York, NY, 2006), 200.

⁶¹ Ibid.

The PLA captured five of the six border provinces in north Vietnam. The PLA and Vietnamese forces suffered serious losses for such a short engagement (60 days). It is estimated 25,000 Chinese and 20,000 Vietnamese died in the conflict.⁶² After China felt the Vietnamese had learned their lesson, it pulled its troops out of northern Vietnam. However, Vietnam was never in danger of falling to Chinese forces. Military experts stressed had China continued with the war, it would have lost more soldiers and victory over Vietnam was not a given.⁶³

For the remainder of 1979, both Vietnam and China engaged in a war of words in the diplomatic arena. Vietnam called China, “the great Han expansionist” and published its “China White Paper” which accused Beijing of historical animosity toward Vietnam and a hindrance to the countries’ unification.⁶⁴ Vietnam remained in Cambodia for another 10 years. During Vietnam’s occupation, China provided military aid to the Khmer Rouge, continued actions to diplomatically isolate Vietnam and pressured Hanoi with the threat of military force.

Vietnam’s foreign policy in the 1970s was based on realpolitik. Hanoi balanced against external threats to ensure its security and independence. Vietnam used China to balance against a stronger country, the United States in the early 1970s. Upon American withdrawal, China wanted to re-establish its historical power in the region and on Vietnam. The PRC’s actions directly against Vietnam awakened historical distrust and animosity (South China Sea, border clashes). Moreover, China’s tilt toward the United States concerned Vietnam. Vietnamese leaders saw the hypocrisy in Chinese foreign policy when Beijing warned Hanoi about its relations with Russia while it (China) pursued détente with the United States. Finally, China’s threat of military intervention with respect to the Vietnam’s treatment of ethnic Chinese and the cut-off of economic aid forced Vietnam to ensure its survival by siding with Russia to balance the China threat.

⁶² Womack, *China and Vietnam: The Politics of Asymmetry*.

⁶³ Kenny, *Shadow of the Dragon*, 68.

⁶⁴ Okabe, “Coping with China,” 121.

D. THE 1980S—HOSTILITIES, STALEMATE AND WARMING OF RELATIONS

The period from 1980 to 1986 was marked by stalemate and continued hostility between Vietnam and China. In this period, Vietnam continued to balance Russia against China. In 1986, however, Vietnam established peaceful ties with China. The reasons for Hanoi's shift were Moscow's warming relations with Beijing and Vietnam's own faltering economy.

1. Stalemate — Chinese and Vietnam Actions 1980–1986

China pursued a strategy of “bleeding Vietnam white” in terms of international isolation and threat of military force. The two sides did not have official diplomatic contact for close to decade. The PRC continued to pressure Vietnam with occasional volleys of artillery fire and border incursions, which forced Hanoi to maintain a sizeable force in the northern Vietnam. Additionally, the PRC used its international clout with the Association of Southeast Asian Nations (ASEAN), the United States and the United Nations to isolate Vietnam. The main reason was China wanted Vietnam out of Cambodia. It believed the Soviet-Vietnamese alliance was an attempt to encircle China. In contrast, Hanoi viewed Beijing's support of the Khmer Rouge as an attempt by China to encircle Vietnam.⁶⁵

From 1980 until 1986, Vietnam attempted to consolidate power in Indochina and outlast China. In 1982, the Vietnamese Communist Party (VCP) referred to China as “the direct enemy of the Vietnamese people.” Hanoi launched offensives in Cambodia and into areas of Thailand to eradicate the Chinese backed Khmer Rouge. This caused more refugees flowing into Thailand which did not help Vietnam's public image. However, Vietnam was not deterred by the negative publicity and viewed Cambodia's mission to eradicate the Chinese-backed Khmer Rouge as critical to its national security. As General Le Duc Anh from the Vietnamese Army stated:

⁶⁵ Donald E. Weatherbee. *International Relations in Southeast Asia: The Struggle for Autonomy* (Latham, MD: Rowman & Littlefield, Inc., 2005), 76.

Experience over more than half a century on the Indochinese peninsula shows that to the Japanese fascist, French colonialist, and U.S. imperialist as well as to the Chinese expansionist and hegemonist at present, Indochina has always remained a target of aggression and a unified battleground in their plots of aggression.⁶⁶

Hanoi sent delegations to member states of ASEAN to counter Chinese rhetoric and seek their support for its action in Cambodia. Vietnam insisted on working with ASEAN to solve the Cambodia problem and played on the fears of China's historical role in Southeast Asia. However, despite Vietnam's efforts, its diplomacy fell short. Vietnam continued to be ostracized on the international stage until it solved the Cambodia issue. Moreover, Vietnam was "isolated" from not only Southeast Asia but from East Asian countries such as (Japan/Taiwan) and Europe due to the United States led trade embargo against Hanoi. Cambodia became an Achilles heel for Hanoi and it could not break out of the isolation. However, the deadlock broke due to events at the geopolitical level and Hanoi's internal domestic problems would force the country to change its foreign policy with China.

2. Vietnam Socio-Economic Failure

During the mid 1980s there were two main causes which forced Vietnam to change its foreign policy strategy: the warming of the Sino-Soviet relationship and Vietnam's dismal socio-economic situation. I will begin with Moscow and China relations influencing Vietnam.

In the mid 1980s Moscow sought to improve relations with Beijing. The PRC agreed but requested an end to Vietnam's occupation of Cambodia first. Russia quickly "nudged" Vietnam to solve the Cambodia issue with China. Additionally, to amplify Vietnam's predicament, the Soviet Union and eastern bloc states began to slowly diminish economic aid to Vietnam in the mid 1980s. This affected Hanoi because during the period of Soviet alliance, CMEA economic assistance "accounted for 38 percent of

⁶⁶ General Le Duc Anh, "The VPA and Its Lofty International Duty in Friendly Cambodia," Part 2, Foreign Broadcast Information Service, East Asia, January 4, 1985, K6, cited in Brantly Womack, *China-Vietnam: The Politics of Asymmetry*, 204.

Vietnam's total annual budget.”⁶⁷ Moreover, Cambodia became an economic drain on the state resources as Hanoi had to maintain a sizable garrison in Cambodia.

In 1986 Vietnam realized its economy was failing. Years of war with the United States, the brief war with China, the ongoing turmoil with Cambodia and the international isolation began to take its toll on the economy. The Soviet Union adopted economic plan failed and could not lift the country out of its severe socio-economic problems. Economic growth was actually negative in some years and inflation was at 774.7% in 1986.⁶⁸ Even more critical, the country could not even feed itself and had to import “hundreds of tons of rice” through 1988.⁶⁹ Vietnam had to change course in its foreign policy and could not *outlast* China. It realized must join the international community and in this regard, China did “bleed Vietnam White.”

Vietnam launched its economic reform plan, known as *Doi Moi* (renovation). Under *Doi Moi*, there was a shift in the country's foreign policy strategy. Vietnam now viewed economic growth as a priority which required integration and cooperation with regional states and superpowers to capture foreign capital investment and technology.⁷⁰ Moreover, Vietnam became aware of the success of the “Asian Tigers” and how Thailand, Singapore, Malaysia and Taiwan experienced unprecedented economic prosperity in the 1980s. Furthermore, Vietnam realized its longtime nemesis, China, began to roll out its economic plan and Hanoi did not want to fall further behind.⁷¹

As Vietnam shifted its foreign policy in the 1980s, China continued to provide military aid to Cambodia and made it a major “precondition for the normalization of its

⁶⁷ Pham Cao Phong. “Vietnam's Economic Security” in *Globalization and Economic Security in East Asia*, ed., Helen E.S. Nesadurai (London: Routledge, 2006), 149.

⁶⁸ Vo Dai Luoc, “Vietnam's Economic Renovation Along Socialist-Oriented Market Economy,” International Policy Conference on Transition Economies May 31–June 1, 2004, Hanoi, Vietnam, Country Papers Series 11, commissioned by the United Nations Development Programme, May 2004: 7.

⁶⁹ *Ibid.*, 10.

⁷⁰ Vuving, “Strategy and Evolution of Vietnam's China Policy: A Changing Mixture of Pathways,” 805.

⁷¹ *Ibid.*, 811.

relations with Vietnam.”⁷² Hanoi realized its predicament and worked to initiate negotiations with China to resolve the Cambodia issue. Vietnamese officials met with China privately for 2 years beginning in 1987 culminating in official talks in January and May of 1989 (the first since 1980).⁷³ After several rounds of further negotiations and international pressure China and Vietnam agreed to allow the Cambodia conflict to be resolved by the United Nations. By 1989, Vietnam was ready to trade its control of Cambodia for “international normalization and economic construction.”⁷⁴ In April 1989, Vietnam announced it would withdraw all its troops by September.

It is important to note that against the backdrop of Vietnam’s attempt to settle the issue of Cambodia, China’s actions in the South China Sea would raise concerns. In 1988 the People’s Liberation Army Navy ships sank two Vietnamese vessels in the South China Sea. Beijing claimed the Vietnamese ships were harassing Chinese vessels doing scientific research.⁷⁵ Additionally, the Chinese established a physical military presence on six reefs in the Spratly’s in 1988. Unfortunately for Hanoi, this was also the time when Moscow and Beijing began to grow closer and put aside their disputes. As such, Vietnam could not play the Russia card. Vietnam attempted to discuss this issue through diplomatic channels with China, but realized it was not in a favorable position.

Vietnam began the decade with a traditional balancing tactic to shield itself from the Chinese threat. From 1980 to 1986, Vietnam enjoyed Moscow’s protection and attempted to form its own sphere of influence in Indo-china. However, the Soviet Union’s shift in providing economic aid and its warming of relations with China caused Vietnam to once again bend to the will of its giant neighbor. By the end of the 1980s, Vietnam considered how to cooperate and pay deference to China.

⁷² Carlyle A. Thayer, “Sino-Vietnamese Relations: The Interplay of Ideology and National Interest,” *Asian Survey*, vol. XXXIV, no. 6, June 1994: 514.

⁷³ Thayer, “Sino-Vietnamese Relations: The Interplay of Ideology and National Interest,” 515.

⁷⁴ Womack, *China and Vietnam: The Politics of Asymmetry*, 206.

⁷⁵ Ibid.

⁷⁵ Kenny, *Shadow of the Dragon*, 66.

E. 1990–1991 FULL NORMALIZATION WITH CHINA

This section discusses Vietnam attempts to solidify diplomatic ties with China to gain security and economic aid. The 1990s began with Vietnam's attempt to settle disputes with China and bring itself out of international isolation. However, Hanoi entered talks with a loss of credibility and prestige as Russia announced in January 1990 that it would pull large portions of its naval and air assets out of Vietnam.⁷⁶ The announcement further amplified Vietnam's plight for security since it was faced with a "disproportionately powerful neighbor, and in order to prevent Chinese aggression, Hanoi had to pay deference to Beijing."⁷⁷

Fortunately for Vietnam, China was receptive to peace and normalization. This was due to the Soviets warming of relations with the PRC and Vietnam's withdrawal from Cambodia. Moreover, the PRC required stability and peace at its borders to concentrate on economic growth. Vietnamese leaders held a secret meeting in September 1990 at Chengdu, China, to discuss normalization. Vietnam informally agreed to cooperate with China and coordinate future foreign policy issues through Beijing. In return, Hanoi was to receive an economic aid package and the two sides agreed to establish cross border trade.⁷⁸ However, it required a year and several rounds of talks to officially normalize ties.

The Soviet Union's collapse in 1991 drew Vietnam closer to China and in order to seek security from the western threats. The two communist regimes shared a common bond to defeat the "external threat—pressure to democratize society, allow political pluralism and implement international acceptable standards."⁷⁹ In November 1991, Vietnam and China re-established diplomatic ties. Additionally, it was agreed that both

⁷⁶ Amitav Acharya, "ASEAN and Asia Pacific Security: Limits of the ASEAN Way," *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001), 167.

⁷⁷ Vuving, "Strategy and Evolution of Vietnam's China Policy: A Changing Mixture of Pathways," 812.

⁷⁸ David Wurfel, "Between China and ASEAN: The Dialectics of Recent Vietnamese Foreign Policy" *Vietnamese Foreign Policy in Transition*, ed. Carlyle A. Thayer and Ramses Amer (New York, NY: St. Martin's Press, 1999), 150.

⁷⁹ Thayer, "Sino-Vietnamese Relations: The Interplay of Ideology and National Interest," 518.

sides would not seek hegemony in the region.⁸⁰ Vietnam wanted security guarantees and a military alliance but China responded with “comrades but not allies.”⁸¹ Moreover, according to Carlyle Thayer, the summit did not provide Vietnam everything it wanted and issues were left unresolved such as border disputes and maritime claims. Both countries agreed to hold more talks, but refrained from building permanent structures or exploring in areas of contention.⁸² Throughout the early 1990s, delegations from Vietnam visited China’s economic zones to study economic reforms. However, the “honeymoon” period lasted only a few months. Chapter IV will discuss Beijing’s actions in the Tonkin Gulf and Con Son Basin that awakened Hanoi’s historical distrust of China.

F. CONCLUSION

Vietnam’s foreign policy toward China from the 1970s to the mid-1980s was based on traditional balance of power. Vietnam had first balance against the external threat, the United States using China. After unification, China’s actions in the South China Sea, the border disputes and Beijing’s attempt to intimidate Vietnam over the issues of the treatment of ethnic Chinese in Vietnam would cause a shift in Hanoi’s foreign policy. Vietnam later chose to lean toward the Soviet Union to counter the China threat and aggressive behavior.

Against the backdrop of historical distrust and China’s actions in the 1970s, there were also geopolitical factors which pulled Hanoi toward Moscow. Vietnam found itself in the middle of a power struggle for Southeast Asia between the Soviet Union, China and itself. Hanoi used a distant superpower, Russia, to ensure its sovereignty with respect to China’s actions. Vietnam leaned toward Moscow for security and economic rewards. However, as the Soviet Union reversed course and eventually fell from

⁸⁰ Thayer, “Sino-Vietnamese Relations: The Interplay of Ideology and National Interest,” 522.

⁸¹ *Ibid.*, 523.

⁸² *Ibid.*, 526.

superpower status, Vietnam had no choice but to cooperate with the PRC in the late 1980s and early 1990s. Hanoi realized that superpowers may come and go or change their priorities but China is always next door.

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III. VIETNAM ECONOMIC STRATEGY

Economic growth, in turn is seen as a way to provide Vietnam with national security, since Vietnam is regarded as living in a region surrounded by tigers and a dragon; the continued backwardness of the country is the biggest security threat to the nation.⁸³

A. INTRODUCTION

The above quote illustrates Vietnam's plight in the mid-1980s as years of war in the 1950s through the 1980s with France, the United States, and China began to take a toll on Vietnam's economy. In this time period Hanoi viewed itself as a backward state which trailed behind its larger and more powerful historical enemy, China. Vietnamese leaders believe the country had to change course and viewed economic growth as essential to become a strong state which could stand up to China.

The purpose of this chapter is to examine Vietnam's economic strategy with regards to China economic and political ascendance in Asia. It will assert Vietnam used a two prong approach to its economic strategy with China. Hanoi engaged China to promote stability while using an omni-directional policy to link itself to regional institutions to ensure access to new markets and foreign direct investment. The chapter will show that by establishing a broader in-depth economic and diplomatic relations with various countries, Vietnam enhances its position *vis a vis* China in two areas. First, this strategy prevents on overdependence on China for Vietnam's economic prosperity. Second, from a strategic viewpoint, Hanoi has an opportunity to utilize the economic linkages into diplomatic entanglement and limited security cooperation with other countries to ensure it can stand up to China.

In order to provide context on Hanoi's policy, the chapter is divided into four main parts. The first portion will briefly look into Vietnam's economic policy in the

⁸³ Oliver Hensengerth, "Vietnam's Foreign Policy and the Greater Mekong Subregion," Department of East Asian Studies, University of Leeds, UK (2005), 2.
<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN017110.pdf>, (accessed August 12, 2007).

1970s after unification between the North and the South. From there, the section will discuss Hanoi's economic policy in the 1980s, in particular since 1986 and *Doi Moi* (economic renovation) when the Socialist Republic of Vietnam (SRV) began a strategy to transform its economy from a centrally planned system to a free market. The next section will then transition into Hanoi's economic policy with regards to China in the 1990s as Beijing's economy began to expand and grow at a robust pace. It is in this section that I will examine Vietnam's economic relations with China and how Hanoi's began efforts to diversify its economic linkages on the regional and global scale so that it does not specifically rely on Beijing for economic security. Finally, the last portion will briefly look at Vietnam's expanding economic linkages after the year 2000 with emphasis on the United States.

B. VIETNAM'S ECONOMY IN THE 1970S, DEPENDENT ON RUSSIA AND CHINA

In the 1970s, Vietnam first relied on China for its economic aid, but due to hostilities with Beijing in the late 1970s, Hanoi would eventually look toward Moscow for support. After unification of the country in 1975, the new Socialist Republic of Vietnam (SRV) attempted to unite the country and rebuild its economy which was ruined from years of war with the French and the United States. The SRV launched a five-year plan to build its economy. As Ton Thien states, "For Vietnam's 1976–1980 plan, China had agreed to provide \$1.5 billion in aid, an average of \$330 million a year."⁸⁴ Moreover, in this period, Vietnam was also dependent on China for a wide range of support from technical support for roads and petroleum.⁸⁵ However, all of China's aid stopped in 1978 due to events at the regional and geo-strategic level. Vietnam and China had disputes over the Paracel and Spratly Islands, land border tensions developed, and areas of contention began to surface over territorial claims in the Gulf of Tonkin. Moreover, Vietnam's relationship with Russia raised Chinese suspicion. As a result, China eventually turned

⁸⁴ Ton That Thien, "Vietnam's Economic Policy: Notes and Comments," *Pacific Affairs* 56, no. 4 (Winter 1983–1984): 696.

⁸⁵ Ibid.

off aid to Vietnam and the two countries would fight a war in 1979. This would eventually lead to twelve years of hostilities.

Due to the rift between Hanoi and Beijing, the 1976 to 1980 plan did not fully developed. The SRV's planned for an economic growth of between 13–14 percent. However, Hanoi fell way below this and actually achieved a dismal 0.4 percent annual growth.⁸⁶ The economic failure had negative spillover effects such as widespread famine in 1978. According to Thang, “the country suffered from persistent outbreaks of famine even though the government imported thousands of tons of food annually.” Moreover, the country began to run up large amounts of debts and by the early 1980s, reports show that the debt almost equaled annual national income.⁸⁷

In conclusion, the 1970s ended with a shift in Vietnam's Foreign Policy and a tilt toward Russia to balance against China's threat. While China was a viable partner to assist Vietnam, the areas of contention and Beijing's animosity toward Vietnam would force the country to seek an external balancer to Russia. In the late 1970s through mid 1980s, Hanoi relied on Moscow for economic prosperity.

C. VIETNAM ECONOMY 1980S, DEPENDENCE ON MOSCOW, 1980 – 1986 AND *DOI MOI*

As Vietnam Foreign Policy balanced against China's threat using the Soviet Union, Hanoi became dependent on Moscow for economic support. The SRV also adopted the Soviet model of economic development (centrally planned economy). According, in 1980, “Soviet financing of Vietnam's Second Five-Year Plan has been estimated at \$2.6 billion.⁸⁸ Additionally, the Soviets funded various industrial projects which accounted for “25 percent of Vietnam's electronic power; 85 per cent of its coal.”⁸⁹ This was crucial source of energy because during the mid 1970s, the PRC had

⁸⁶ Masahiko Ebashi, “The Economic Take-Off,” in *Vietnam Joins the World*, ed. James W. Morley and Masashi Nishihara (Armonk, NY: M.E. Sharpe, Inc. 1997), 37.

⁸⁷ Bui Tat Thang, “After the War, 25 Years of Economic Development in Vietnam,” NIRA Review (Spring 2000). <http://www.nira.go.jp/publ/review/2000spring/06thang.pdf> (accessed July 15, 2007).

⁸⁸ Thien, “Vietnam's Economic Policy: Notes and Comments,” 702.

⁸⁹ Ibid.

provided Vietnam with 90 percent of its oil requirements.⁹⁰ Moreover, the Eastern Block Nations in Europe under COMECON granted Hanoi \$800 million in aid (Czechoslovakia, Bulgaria, Hungary and East Germany).⁹¹ As Vietnam further integrated into Moscow's sphere of influence, its trade and economic policies followed. In 1979-1980, it was estimated that 50 percent of its trade was with Moscow and more importantly, "90 percent of its imported steel, 90 percent of its imported oil, 77 percent of food, 89 per cent of fertilizers, and 94 percent of cotton came from the Soviet Union."⁹²

Unfortunately, the Soviet economic model did not yield benefits for Vietnam. Exports reached only 88 percent of goals in 1981, the state enterprises outputs ranging from fabrics, clothes, paper, mats, bicycle parts and pharmaceutical products experience decreases and there were "severe shortages of goods" which affect the standard of living for Vietnamese.⁹³ Vietnam's failure laid in the fact the socialist planned economy and collectivization of agriculture took away incentives for people and additionally the bureaucracies were inefficient which further strained the economy.⁹⁴ What further amplified Hanoi's plight was its actions in Cambodia.

Vietnam's occupation of Cambodia and a border war with China in 1979 followed by 12 years of border tension and hostilities with the Beijing would have negative impact on its economy and society. Accordingly, "the serious economic crisis and increased conscription for wars in Cambodia and on the Chinese border invited strong criticism by the people."⁹⁵ Moreover, Vietnam was isolated in the international arena and particular, the "west" by the United States and Association of Southeast Asian Nations (ASEAN) due to its actions in Cambodia. As a result, Vietnam did not have access to regional or global markets and relied solely on Moscow.

⁹⁰ Thien, "Vietnam's Economic Policy: Notes and Comments" 702.

⁹¹ Ibid.

⁹² Ibid., 703.

⁹³ Ibid.

⁹⁴ Ebashi, "The Economic Take-Off," 38.

⁹⁵ Ibid., 38.

It is important to note that while Vietnam leaned toward Russia in the late 1970s and early 1980s, this era saw the origins of China's economic reforms. Vietnamese leaders looked at China's reforms with disdain and "...viewed economic reforms as a deviation from the true path of socialism and repeatedly urged the population to greater efforts, urging them, in the words of Ho Chi Minh, to move directly from a 'primitive agricultural society into a modern socialist one, bypassing the phase of capitalism.'"⁹⁶ As a result of the continue animosity with China, Vietnam began to fall further behind in economic development.

1. Soviet Retrenchment and *Doi Moi*, 1986

In the wake of Vietnam's international isolation, the Soviet Union began to shift strategy and would eventually slow down economic aid to Vietnam in the mid 1980s. This caused additional strain on the government of Vietnam. It is reported during periods of Soviet alliance, Hanoi's economic assistance "accounted for 38 percent of Vietnam's total annual budget."⁹⁷ In 1986 Vietnam's Communist Party (VCP) realized international isolation and lack of foreign aid could jeopardize the legitimacy VCP.

By the mid 1980s Vietnam's economy continued to spiral downward, which had adverse effects on the population and government. According to Kenny, "Unemployment was well over 20 percent, inflation in triple digits, malnutrition widespread, poverty ubiquitous, starvation not unknown, and the population apathetic."⁹⁸ Actual inflation was measured at well over 774.7 percent.⁹⁹ Moreover, Vietnam's leaders realized the country was behind the region's newly industrialized countries and that the international isolation due to its actions in Cambodia would not help their plight. To illustrate, "In 1990, Singapore had a per capita of \$11,160; Malaysia was at \$2,320, Thailand at \$1,420;

⁹⁶ Kenny, *Shadow of the Dragon*, 79.

⁹⁷ Pham Cao Phong, "Vietnam's Economic Security," 149.

⁹⁸ Kenny, *Shadow of the Dragon*, 80.

⁹⁹ Pham Xuan Nam, "An Overview of Socio-Economic Impacts on the Renovation in Vietnam," presented at University of British Columbia and National Center for Social Sciences and Humanities, Round Table on Socio-Economic Impacts of the Renovation of Vietnam, Haiphong, December 14, 1993, cited in John Bresnan, "A Society Emerging From Crises" in *Vietnam Joins the World*, ed. James W. Morley and Masashi Nishihara (Armonk, NY: M.E. Sharpe, Inc., 1996), 70.

the Philippines at \$730, and Indonesia the most populous country in Southeast Asia, at \$570.”¹⁰⁰ In contrast, Vietnam’s per capita GDP was estimated at \$140 by the World Bank.¹⁰¹ As a result, diminishing Soviet support and the countries economic plight, Vietnam launched its economic reform, *Doi Moi* (renovation) in 1986.

Under *Doi Moi*, Vietnam attempted to transform its centrally planned economy into free market system. The historic change also sought to diversify its foreign policy not only for security reasons but to also to build up its dismal economy. Hanoi realized “...that the fate of nations would no longer be determined by arms race but instead by economic races...”¹⁰² Vietnamese leaders recognized the requirement to integrate into the world economic stage and linked itself to powerhouses of finance and technology.”¹⁰³ This meant that Vietnam would have to slowly integrate itself back into the international community. The Vietnamese Communist Party (VCP) now viewed economic growth as way to strengthen its position against China and its neighbors.

The new strategy of transforming the economy would require time to build up institutional processes. Under *Doi Moi*, Vietnam realized it required access to foreign capital and technology to resuscitate its economy. The VCP viewed FDI as way to gain capital, technology and increase revenue for the state.¹⁰⁴ In 1987, Vietnam passed the Law of Foreign Direct Investment which made it easier for the state to adopt a FDI strategy posture.¹⁰⁵ In conjunction with this legal framework, Vietnam sought to sign and implement FDI through multilateral and bilateral agreements in the international

¹⁰⁰ Donald Zagoria, “Joining ASEAN” in *Vietnam Joins the World*, ed. James W. Morley and Masashi Nishihara (Armonk, NY: M.E. Sharpe, Inc., 1996), 161.

¹⁰¹ World Bank, *Vietnam: Poverty Assessment and Strategy* (Washington, DC: World Bank, January 1995), cited in John Bresnan, “A Society Emerging from Crisis,” in *Vietnam Joins the World*, ed. James W. Morley and Masashi Nishihara (Armonk, NY: M.E. Sharpe, Inc., 1996), 70.

¹⁰² Vuving, “Strategy and Evolution of Vietnam’s China Policy: A Changing Mixture of Pathways,” 811.

¹⁰³ Ibid.

¹⁰⁴ Phong, “Vietnam’s Economic Security,” 153.

¹⁰⁵ Vietnam Business Development Report 2006, World Bank website: http://siteresources.worldbank.org/INTVIETNAM/Resources/vdr_2006_english.pdf, (accessed July 8, 2007).

community. However, FDI was not fully implemented until the early 1990s, due to Vietnam's isolation from the west due to Cambodia.

Cambodia was Vietnam's Achilles heel. Accordingly, the "...reform had been hampered by the occupation of Cambodia, international isolations, and hostility with China."¹⁰⁶ Vietnam would have to withdrawal from Cambodia (actually did so in 1989), make peace with China and work to integrate itself into the region first (Association of Southeast Asia Nations) and then East Asia and finally the "west" particularly the United States. The next section will discuss Vietnam's normalization with China and its eventual integration into ASEAN in the 1990s.

D. ECONOMIC RELATIONS WITH CHINA, ASEAN AND THE UNITED STATES, 1991 TO 2000

In 1991, Vietnam and China re-established diplomatic ties and put aside 12 years of hostilities to promote economic growth. The communist regimes required stability and peace to attract foreign direct investment because regional instability would "frighten investors away, slow down economic growth and endanger the pursuit of economic reforms and consequently the internal stability of each country."¹⁰⁷ Moreover, in the wake of the collapse of the Soviet Union, Vietnam no longer had a "super power sponsor" and wanted to align with China for security and economic development.

Vietnamese leaders were anxious to learn the Chinese model of capitalism with socialist characteristics. As Li Ma states, "During the period of normalization, a Vietnamese delegation visited Guangzhou, Shenzhen and Nanning to observe Chinese reforms closely."¹⁰⁸ Moreover in the 1990s "the two states have developed a routine of summit visit ever year giving the top leaders the chance to regularly discuss reform, opening to foreign countries, and developing the economics of both countries."¹⁰⁹ As

¹⁰⁶ Womack, *China and Vietnam: The Politics of Asymmetry*, 214.

¹⁰⁷ Li Ma, "China and Vietnam," in *Vietnamese Foreign Policy in Transition*, ed. Carlyle A. Thayer and Ramses Amer (New York, NY: St. Martin's Press, 1999), 57.

¹⁰⁸ *Ibid.*, 47.

¹⁰⁹ Gu Xiasong and Brantly Womack, "Border Cooperation between China and Vietnam in the 1990s," *Asian Survey* 40:6 (December): 1049.

further testament of the close collaboration, beginning in 1991 Beijing and Hanoi signed over 20 agreements to facilitate trade and economic cooperation.¹¹⁰

Trade between Vietnam and China began shortly after full normalization. Vietnam's trade with Beijing was approximately \$32 million in 1991 and by 1999 the trade between the two sides increased to \$1.25 billion.¹¹¹ However, despite the relatively large increase in trade there were areas of concern for Vietnam. China's economic might effected Vietnam's infant industries. Accordingly, "Vietnam was inundated by cheaper Chinese products than it could produce locally."¹¹² These products were mainly "electrical appliances, hi-fi equipment, air conditioners, toys and food."¹¹³ Vietnamese industries could not compete against imports from China's large scale production manufacturing. For example, George Kenny states "the village of Bat Trang along the Red River area of Hanoi specializes in ceramics and hopes to increase its export market, but its products compete with more sophisticated and mass produced ceramics of China."¹¹⁴

While the trade volumes increased over the 1990s, the imbalance of trade in China's favor led Vietnam to implement policies indirectly to protect its industries. For example, in the early 1990s, Hanoi banned 17 imports, which included, "bicycles and spare parts, electric fans, common light bulbs, electronics goods, thermos flask, garments and knitwear..."¹¹⁵ This list closely mirrored what China exported to Vietnam.¹¹⁶ Moreover, there was a reduction of trade volumes in 1992, 1996 and 1998 due to these flare-ups of trade disputes.¹¹⁷ However, in the wake of consumer demands and smuggling, the tariffs were suspended. Additionally, to amplify the problem Brantly

¹¹⁰ Xiasong and Womack, "Border Cooperation Between China and Vietnam in the 1990s," 1045.

¹¹¹ Kenny, *Shadow of the Dragon*, 87.

¹¹² Ma, "China and Vietnam," 57.

¹¹³ Kenny, *Shadow of the Dragon*, 87.

¹¹⁴ *Ibid.*, 88.

¹¹⁵ Womack, *China and Vietnam: The Politics of Asymmetry*, 215.

¹¹⁶ *Ibid.*

¹¹⁷ *Ibid.*

Womack stated that, “Most Vietnamese exports to China in the 1990s were raw materials and produce, and Vietnam was concerned about the siphoning off of its natural resources.”¹¹⁸

By the end of the 1990s, Vietnam’s trade imbalance grew. George Kenny states that by the end of the 1990s, “the imbalance in favor of China by a margin of 4.7 to 1.”¹¹⁹ Vietnam attempted to mediate and discuss the issue with China to “resuscitate some of its labor intensive small industries.”¹²⁰ For example, “in August 1999 Vietnamese deputy trade minister Nguyen Xuan Quang pointed out clearly, stating that there is ‘a serious imbalance in the two countries’ trade relations, with Vietnam suffering an increasing trade deficit.”¹²¹ While Hanoi raised concern of the imbalance of trade it also sought to diversify to prevent overdependence with China. The next section will discuss Hanoi’s membership ASEAN and its economic integration with Asia and the “west.”

1. Vietnam Economic Integration to Balance China

Vietnam having found some shelter within ASEAN, employs a strategy that focuses on extending the dialogue with China, and thereby trying to strengthen the mutual economic ties; being economically attractive to other countries as well such as Russia and Japan, increases Hanoi’s international standing and economic strength and as a consequence, could provide it with the ability to assert itself politically vis-à-vis its big neighbor.¹²²

Vietnam leveraged ASEAN to slowly integrate itself into global institutions to increase its economic security and position against China’s economic domination. Economically, Vietnam required access to western markets, foreign direct investment and trade to become independent from China’s economic sphere. Upon its military withdrawal from Cambodia, Vietnam began to develop closer diplomatic and economic ties with ASEAN. As Thayer suggested, “Vietnamese history shows that one-sided

¹¹⁸ Womack, *China and Vietnam: The Politics of Asymmetry*, 215.

¹¹⁹ Kenny, *Shadow of the Dragon*, 87.

¹²⁰ Ibid., 88.

¹²¹ Ibid., 87.

¹²² Hensengerth, “Vietnam’s Foreign Policy,” 2.

relations have led to political isolation and economic difficulties.... Therefore, Vietnam's ASEAN membership should be achieved in a way that would strengthen instead of harm Vietnam's relations with China."¹²³ As a result, in 1991 Hanoi launched, Vietnam's *Strategy for Socioeconomic Stabilization and Development Up to the Year 2000*. This blueprint stated Vietnam would seek to diversify its foreign policy and engage in multilateral forums and economic institutions.¹²⁴

By 1991, the fruits of Hanoi's campaign to re-establish diplomatic ties with ASEAN had positive effects on its economy. The withdrawal from Cambodia (1989) and diplomatic ties with China cleared the way for Hanoi to integrate into ASEAN. Official figures released at the end of September 1991 indicated ASEAN states invested in thirty-four projects with a total registered capital of US\$173 million. This represented, "12.4 per cent of foreign investment projects and 7.2 per cent of total legal capital invested."¹²⁵ Additionally, ASEAN investment increased ten fold in just three years (1991–1994), and made up 15 per cent of total direct foreign investment. ASEAN states became involved in over 147 projects with a paid up capital of US\$1.4 billion by the first half of 1994. Moreover, thirty-seven development agreements were signed between Vietnam and ASEAN businesses during this period.¹²⁶

Besides ASEAN, Japan and Taiwan also lead the way in providing assistance to Vietnam in the early 1990s. Japan was the first industrialized country to open "full scale economic aid for Vietnam" in 1992.¹²⁷ Additionally, Japan provided Vietnam with over \$869 million in Overseas Development Assistance.¹²⁸ Moreover, "The bulk of Japanese ODA money for Vietnam has been provided in the form of soft loans to finance infrastructure projects, and the rest in the form of grants-in-aid and technical

¹²³ Carlyle Thayer, "Vietnam and ASEAN," Conference of Vietnam in 2001: Prospects for Economic and Social Progress. The Kenney Auditorium, Washington, DC, November 16-17, 2000, 3. <http://www.vpainc.org/conference/pdf/thayer2.pdf> (accessed Aug 1, 2007).

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ Ibid., 4.

¹²⁷ Hisane Masaki, "Japan Inc. Smitten by Vietnam," *Asia Times Online*, June 15, 2006. <http://www.atimes.com/atimes/Japan/HF15Dh01.html> (accessed July 12, 2007.)

¹²⁸ Ibid.

cooperation.”¹²⁹ During the first half of the 1990s, “A survey undertaken among Japanese firms by Export-Import Bank of Japan in October 1994 ranked Vietnam as a number-two prospective investment market after China.”¹³⁰ In short, Japan provided the business acumen, human and management capital to assist Vietnam to transform its economy and facilitate the use of FDI.¹³¹ Additionally, Taiwan began to invest in Vietnam and provided the influx of capital to develop its economy. In 1996, Taiwan was the number one foreign investor in Vietnam.¹³² While Vietnam was improved its multi-directional foreign policy and economic relations with Southeast Asia in the early 1990s, Hanoi would achieved another milestone in 1995.

2. 1995 ASEAN Membership and Diplomatic Ties with the United States

In 1995, Vietnam officially joined ASEAN not only for political and strategic reasons but there were economic ones too. According to Jorn Dosch, “Vietnam viewed ASEAN ‘as a means to accelerate economic reform, modernization and convergence with this dynamic region.’”¹³³ This led to additionally economic opportunities. First, it has spurred additional Foreign Direct Investment from ASEAN nations. Secondly, Vietnam leveraged ASEAN and delved into other international institutions to facilitate and achieve its goal of economic diversity. These institutions ranged from the sub-regional ASEAN Investment Area and the ASEAN Industrial Cooperation to regional forums such as the Asian Pacific Economic Council (joined APEC 1998).¹³⁴

Regional forums allowed Hanoi policy makers access to the Asia Europe summit where Vietnam and other East Asian Countries have opportunities to discuss political,

¹²⁹ Masaki, “Japan Inc. Smitten by Vietnam.”

¹³⁰ Ebashi, “The Economic Take-Off,” 53.

¹³¹ Masaki, “Japan Inc. Smitten by Vietnam.”

¹³² Chang Pao-min, “Prospects for Sino-Vietnamese Relations,” in *Vietnamese Foreign Policy in Transition*, ed. by Carlyle A. Thayer and Ramses Amer (New York, NY: St. Martin’s Press, 1999), 143.

¹³³ Dosch, “Vietnam’s ASEAN Membership Revisited,” 15.

¹³⁴ *Ibid.*, 14.

economic and security concerns with countries from the European Union.¹³⁵ In these multilateral forums, Vietnamese diplomats learned how to foster relationships in order to further enmesh Hanoi with other countries to facilitate trade and economic relations. Additionally, at the 8th Party VCP Congress, emphasize the importance in “the multi-sector commodity economy.”¹³⁶ This committed Vietnam’s to a strategy to further diversify its economy from not only primary products but to establish low cost manufacturing niche.

In 1995, Vietnam established diplomatic ties with the United States. While Vietnam successfully established ties with the EU, East Asia States and ASEAN, the “grand prize” in its diplomatic integration was the “west” and particularly the United States. Prior to 1995, Vietnam ties with the U.S. increased marginally as the VCP agreed to cooperate with the United States on POW/MIA issues and assist with investigations in 1992.¹³⁷ This followed with small positive effects such as \$3 million for humanitarian and telecommunications assistance packages and the opening of U.S. commerce to be sold in Vietnam to “meet human needs.”¹³⁸ The Clinton Administration, in February of 1994, lifted the informal U.S. trade embargo on Vietnam (it had been in place against North Vietnam since the 1960s).

The most important aspect of relations with Washington was the suspension of the economic boycott of Vietnam and access to new markets. This allowed Hanoi access to the World Bank and Inter-Monetary Fund in order to gain necessary capital, technology and technical assistance to improve its economy in the 1990s. Moreover, good relations with Washington allowed Hanoi access to its markets. Finally, strengthening ties with powers outside of Asia is what Vietnam wanted to accomplished to diversify its foreign policy strategy. In the long term, Vietnam hoped to use economics as a link toward Washington.

¹³⁵ Eero Palmujoki, “Ideology and Foreign Policy,” in *Vietnamese Foreign Policy in Transition*, ed. Carlyle A. Thayer and Ramses Amer (New York, NY: St. Martin’s Press, 1999), 38.

¹³⁶ *Ibid.*, 37.

¹³⁷ Manyin, “U-S. Vietnam Relations,” November 2006, 11.

¹³⁸ *Ibid.*

At the end of the 1990s, Vietnam improved its standing on the world stage economically. The country's Gross Domestic Product was 7.4% in 1999 and the Hanoi made inroads establishing trade relations with over 100 countries.¹³⁹ Yet, Vietnam had to continue to keep an eye on its enormous neighbor, China and how to compete with it in the global market. The next section discusses briefly what ASEAN and Vietnam have in common with regards to China's economic rise.

3. Vietnam and ASEAN Economic Competition with China

Vietnam, similar to most ASEAN countries and particular the CLMV¹⁴⁰ countries are weary about China's economic power and how it may hurt their respective economies. A majority of ASEAN countries compete with China for FDI and access to western markets. A United States Congressional Report, China is an economic competitor with Vietnam "...as both compete for foreign direct investment and for markets in many of the same low-cost manufacturing products."¹⁴¹ While figures are hard to come by according to Michael Glonsny, "...most studies show a clear trend of investment diversion from ASEAN to China since the financial crises (1997)."¹⁴² Additionally, Vietnam and the newer ASEAN countries (CLMV) run trade deficits with China.

Beijing's reaction to the imbalance of trade and economic competition with ASEAN is to make routine overtures with a collaborative tone. Chinese officials such as, Zhang Yunling stated, "ASEAN will become the first choice of where to invest for Chinese companies."¹⁴³ Other suggest as Chinese companies expand they will want "to locate plants closer to their markets in Southeast Asia."¹⁴⁴ However, critics put forward

¹³⁹ Bui Thanh Son, "Vietnam-U.S. Relations and Vietnam's Foreign Policy in the 1990s" in *Vietnamese Foreign Policy in Transition*, ed. Carlyle A. Thayer and Ramses Amer (New York, NY: St. Martin's Press, 1999), 203.

¹⁴⁰ Refers to the newer members of ASEAN CLMV or Cambodia, Laos, Myanmar and Vietnam

¹⁴¹ Manyin, "U.S. Vietnam Relations," November 2006, 24.

¹⁴² Glonsny, "Heading toward a Win-Win Future?" 30.

¹⁴³ Ibid., 32.

¹⁴⁴ Ibid, 32.

the remarks from China are just empty words. These critics argue that China only invest in projects which will help it secure natural resources. Glosny states that “China hopes to secure access to raw materials in Southeast Asia such as oil, natural gas, rubber, and tin, and has focused much of its FDI on projects devoted to the exploitation of natural resources.”¹⁴⁵ For example, China has invested \$1.2 billion in Indonesia for energy supplies such as natural gas. Other critics suggest, “...if low production costs continue to make China’s domestic environment more favorable, it is not clear why China would invest in ASEAN manufacturing and industrial sectors.”¹⁴⁶

The question is what can Vietnam do to strengthen its economic standing with regards to China’s continued economic growth? How is Vietnam supposed to avoid what Michael Glosny calls, “colonial economic relationship”?¹⁴⁷ Accordingly, Vietnam must set out and find its own market niche to avoid China’s colonial economic trap. As Glosny suggest, “If the ASEAN countries do not work to increase productivity and develop market niches, especially as China begins to develop more high tech products, competition from China may leave the manufacturing capacity of ASEAN states in disarray and force these countries to return to the colonial situation in which they relied on exports of raw materials.”¹⁴⁸

Toward the new millennium, Vietnam trade patterns follow many other ASEAN states. Primary products exported to China and low-cost manufacturing products are imported from Beijing. However, Vietnam has made great strides to diversify and find its own markets and niches. Collaboration with China allows for peaceful environment as stated but does not assist Vietnam with economic development. Evidence suggest Vietnam has not received much assistance from China in terms of economic assistance. As Chang Pao-min noted in 1999, “It is perhaps noteworthy that Vietnam’s economic growth has been almost totally unrelated to any Chinese input.”¹⁴⁹ From 1988 – 2001,

¹⁴⁵ Glosny, “Heading toward a Win-Win Future?” 47.

¹⁴⁶ Ibid., 32.

¹⁴⁷ Ibid., 47.

¹⁴⁸ Ibid.

¹⁴⁹ Pao-min, “Prospects for Sino-Vietnamese Relations,” 143.

China ranked 26 among foreign direct investors in Vietnam (behind Canada, Bermuda and the Bahamas).¹⁵⁰ Moreover, according to Womack, “Given China’s domestic capital needs and opportunities, . . . China is unlikely to compete with developed countries in profit driven investment elsewhere, including Vietnam.”¹⁵¹ The next section will look into Vietnam’s successes and attempt to develop its economy and which countries Hanoi has relied on for its economic security.

E. 2000 VIETNAM ENGAGEMENT WITH CHINA WHILE EXPANDING ECONOMIC RELATIONSHIPS

The new millennium, Vietnam continues to engaged China and diversify its foreign relations and economy. Trade has increased between Vietnam and china in less than 15 years: \$32 million in 1991 to \$2.5 billion in 2000 and \$7.2 billion in 2004.¹⁵² However, the strategy of diversification and omni-directional foreign policy has not changed and according to Evelyn Goh, “Vietnam emphasizes cultivating relations with a range of major powers, but its motivation is more firmly the need for diversification to guard against external reliance, particularly in the economic area.”¹⁵³

Beijing continues to hold a large trade surplus with Hanoi and “China is the top exporter to Vietnam—mainly machinery, agricultural and other production materials, and processed petroleum products—while importing mainly primary products from Vietnam.”¹⁵⁴ In 2005, Vietnam’s trade deficit was \$2.8 billion.¹⁵⁵ In a visit by the PRC’s President, Hu Jintao the same year, “Vietnamese leaders reportedly expressed their concern about Vietnam’s rising trade deficit with China.”¹⁵⁶ Despite the trade imbalance, both sides have agreed to expand trade and have plans to develop the

¹⁵⁰ Womack, *China and Vietnam: The Politics of Asymmetry*, 231.

¹⁵¹ Ibid.

¹⁵² *Asia Times Online*, “China and Vietnam Find Love,” July 21, 2005.
http://www.atimes.com/atimes/Southeast_Asia/GG21Ae01.html (accessed August 2, 2007).

¹⁵³ Goh, “Meeting the China Challenge,” 32.

¹⁵⁴ Ibid., 21.

¹⁵⁵ Carl Zissis, “The Surging Vietnamese Economy,” *Backgrounder, Council of Foreign Relations*, Oct 30, 2006. <http://www.cfr.org/publication/11846/>, (accessed January 12, 2007).

¹⁵⁶ Manyin, “U.S. Vietnam Relations,” November 2006, 24.

Kunming-Hanoi Haiphong economic corridor (between north Vietnam and southwestern China). As of 2005, trade between the two countries is expected to be approximately \$8 billion annually.¹⁵⁷ Beijing is expected to send, "...machinery, telecommunications equipment pharmaceuticals, fertilizer, and vehicles, while the Vietnamese export crude oil, coal, fish and produce to China."¹⁵⁸

While Hanoi is worried about over reliance on China economically it still practices economic trade with Beijing while simultaneously seeks to develop and foster economic linkages with other countries to ensure it's not overly dependent on China.¹⁵⁹ Vietnam continues to send delegations to various industrialized countries to facilitate and promote foreign direct investment in the country. Accordingly, "Taking a page from Beijing's playbook, Vietnam is luring makers of shoes, garments and computer chips with tax breaks, inexpensive land and cheaper labor."¹⁶⁰ As a positive step, Vietnam's FDI has increased since 2003 from \$2 billion to \$10 billion in 2006(see Figure 1.).

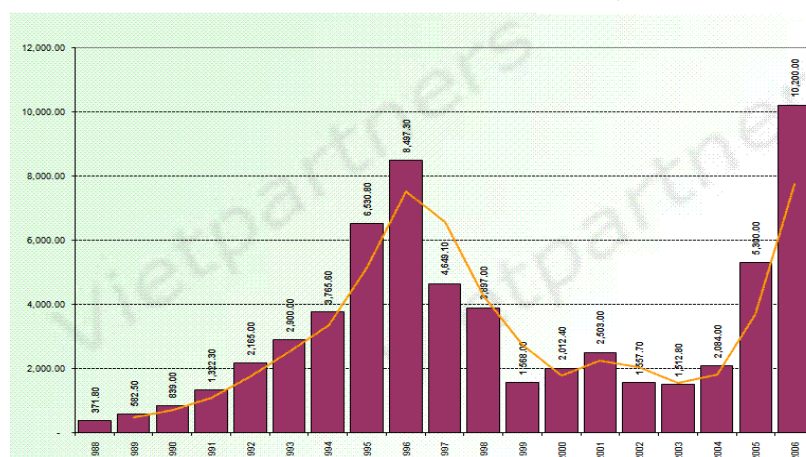


Figure 1. FDI Registered Capital 1998 – 2006¹⁶¹

¹⁵⁷ Lawrence E. Grinter, "China, the United States, and Mainland Southeast Asia; Opportunity and the Limits of Power" *Contemporary Southeast Asia* 28, no. 3 (2006): 453.

¹⁵⁸ Ibid., 453.

¹⁵⁹ Goh, "Meeting the China Challenge," 21.

¹⁶⁰ Don Lee, "The World; Manufacturers Taking Flight -- to Vietnam; the Country is Luring Companies with Generous Incentives and Lower Costs than China." *Los Angeles Times*, August 18, 2006, (accessed September 1, 2007: <http://proquest>).

¹⁶¹ Vietnam Partners. <http://www.vvg-vietnam.com/images/admin/articles%20economics/FDI-06-1.gif> (accessed July 15, 2007).

As further proof of Vietnam's success in leveraging regional forums to link itself into the world economy, the chart below provides an example of the diversity of the countries which has filtered FDI in Vietnam. FDI inflow has come from not only ASEAN countries such as Singapore but also regional countries such as Taiwan, Japan and South Korea. Additionally, Vietnam has also attracted FDI from external regional power such as the United States and the EU (see Figure 2.).

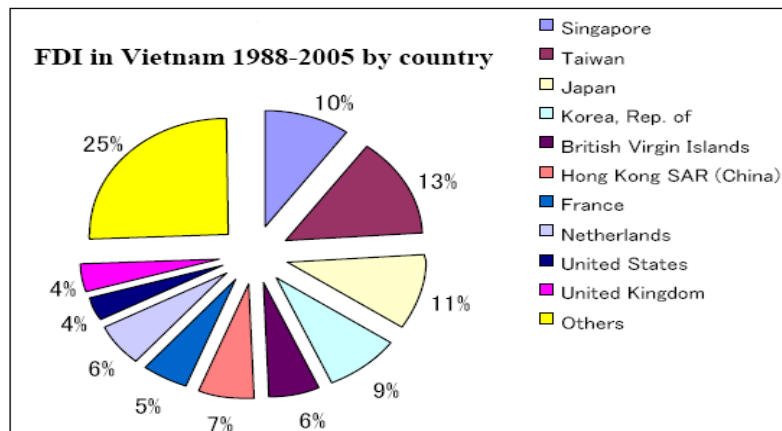


Figure 2. FDI in Vietnam 1998 – 2005¹⁶²

While the above data illustrates the successes of Hanoi's omni-directional foreign policy, its engagement strategy with the U.S. is by far the cornerstone. As Abuza stated:

In seeking better ties with the United States, Hanoi is hoping to attract massive U.S. investment and become a good trading partner. Economic interdependence will thus have a two fold result. First trade with and investment from the United States will help develop the Vietnamese economy and thus the nations' internal capabilities, i.e....economic growth can be used to finance military modernization. Second, it hopes to increase its security through interdependence with the United States. Simply, the United States will not sit idly by as its nationals' investments are threatened.¹⁶³

¹⁶² Thuy Thanh Le, "Does Foreign Direct Investment Have an Impact on the Growth in Labor Productivity of Vietnamese Domestic Firms?" Research Institute of Economy, Trade and Ministry, March 2007, 10. <http://www.rieti.go.jp/jp/publications/dp/07e021.pdf> (accessed July 31, 2007).

¹⁶³ Zachary Abuza "Coping with China: Vietnamese Elite Responses to an Emerging Superpower." (Ph.D. dissertation., Fletcher School of Law and Diplomacy 1991), 198.

The bilateral trade agreement between Hanoi and Washington was signed in 2001. This allowed Vietnam to further expand trade and cooperation with the United States. The economic and diplomatic ties with the United States bring multiple advantages for Vietnam. Analysis by Mark Manyin suggests “At the strategic level, Vietnam may be seeking to offset China’s increased economic, political, and cultural influence in Southeast Asia.”¹⁶⁴ Economically, the United States is a vast market for Vietnam’s export driven economy. Since 1994, trade between the United States and Vietnam has improved from \$227 million to 6.279 billion dollars (see Table 1.).

Table 1. U.S.-Vietnam Merchandise Trade
(millions of dollars)

	U.S. Imports from Vietnam	U.S. Exports to Vietnam	Total Trade		Trade Balance
			Volume	Change from prior yr.	
1994	50.5	172.2	222.7	—	121.7
2000	827.4	330.5	1,157.9	—	-496.9
2001	1,026.4	393.8	1,420.2	23%	-632.6
2002	2,391.7	551.9	2,943.6	107%	-1,839.8
2003	4,472.0	1,291.1 ^a	5,763.1	96%	-3,180.9
2004	5,161.1	1,121.9 ^a	6,283.0	9%	-4,039.2
2005	6,522.3	1,151.3	7,673.6	22%	-5,371.0
Jan - Aug 2005	4,111.3	717.9	4,829.2	—	-3,393.4
Jan - Aug 2006	5,476.6	602.4	6,079.0	26%	-4,874.2
Major Imports from Vietnam	clothing, footwear, wooden furniture, frozen shrimp, petroleum products, cashew nuts, coffee				
Major Exports to Vietnam	aircraft, mining equipment, electronic machinery, steel wire, raw cotton, plastics				

Source: U.S. International Trade Commission. Data are for merchandise trade on a customs basis.

a. U.S. exports from 2003 include Vietnam Airlines’ \$700 million purchase of several Boeing 777s. U.S. aircraft exports to Vietnam were around \$350 million in 2004 and 2005, and dropped to fewer than \$5 million in the first eight months of 2006.

Table 1. U.S.-Vietnam Merchandise Trade¹⁶⁵

Secondly, Vietnam’s aspiration was to quickly join the World Trade Organization and warmer ties with the United States facilitated this (Vietnam received WTO

¹⁶⁴ Manyin, “U.S. Vietnam Relations,” November 2006, 17.

¹⁶⁵ Ibid., 10.

membership in Jan 2007). Other spillover affects are limited security cooperation which is discussed in detail in Chapter III. Finally, as stated Hanoi wants to enmesh itself with a superpower to strengthen its position versus China.

Due to Vietnam's lack of lobbyist and political capital with the U.S., Hanoi is using economic engagement and the associated effects to increase its bargaining position with Beijing. Accordingly, "In contrast to China, Vietnamese business has little profile on Capitol Hill, in part because it does not have a comparable commercial lobby. For that lobby to be effective, it must include (or even be led by) American companies with an economic stake in Vietnam. This is a potential area for cooperation between Vietnamese and American businesses, and more broadly between Vietnamese and their American supporters."¹⁶⁶ Since 2000, Vietnam has signed various agreements with United States companies to explore for oil and natural gas within its economic exclusive zones.

1. Diversification in the new Millennium

Vietnam continues to diversify its economy. Besides raising the volume of exports of oil, agriculture (coffee, rice), seafood industry and its low manufacturing products (textiles, footwear and electronics), the country attempts to compete in higher technical jobs and skills from the "west." As the Wall Street Journal reported, "Foreign Investors and the Vietnamese government are trying to push this emerging economy up the learning curve, nudging it into higher tech and higher-margin business—and winning commerce away from better-established countries."¹⁶⁷

Vietnam has moved into the "outsourcing market" from the West. While most companies have capitalized on the technology and low cost talent pool from India, the Philippines and South Africa, Vietnam is slowly moving toward this direction.¹⁶⁸ A

¹⁶⁶ David Dapice, "Celebration and Reflection: Vietnam Enters a New Era" in *Dialogue on US. – Vietnam Relations, Ten Years After Normalization*, ed. Catharin E. Dalpino. The Asia Foundation (2005): 41. http://www.asiafoundation.org/pdf/VN_10_Years_After_Normalization.pdf (accessed July 12, 2007).

¹⁶⁷ James Hookway, "Politics and Economics: Vietnam View to Get In on Outsourcing; Talent Pool, Wages Let Nation Compete with China and India" *Wall Street Journal* (Eastern edition). New York, NY: May 29, 2007 A. 6.

¹⁶⁸ Hookway, "Politics and Economics," A6.

British Company now employs 1,500 people in Vietnam to provide billing software for telecom companies in Europe and develops programs to manage human resources at Honda Motor Co.'s British Unit and test software for the Discovery Channel and NBC Universal's MSNBC.¹⁶⁹ Another example is Panasonic Inc. The Japanese based company has launched a Research and Development subsidiary, Panasonic R&D Center Vietnam Co., Ltd (April 2007). According to the Japan Corporate News Network, the R&D center, "...will run actives relating to digital home appliances and design & development of software and strengthening further development capability in the global market from the ASEAN region."¹⁷⁰ As further testament to Vietnam's potential and diversification, Microsoft Founder Bill Gates suggested that, "...there was no reason Vietnam couldn't follow India into software development and other forms of outsourcing."¹⁷¹

Besides attempts of capturing high-tech outsourcing jobs from the west, studies suggest industrial land and labor cost are now cheaper in Vietnam than China.¹⁷² Lee stated that "Factory wages average \$50 to \$60 a month—half as much as in the manufacturing centers along China's coast."¹⁷³ This could open up more doors since many countries have attempted to diversify their respective manufacturing base. Vietnam could be seen as the alternative. Recent animosities between China and Japan has shifted Tokyo's FDI to Hanoi as a hedge against an over reliance on China.

Besides the United States, Vietnam has increased its economic linkage with Japan. This is the result of Tokyo's historical and cultural differences with Beijing which "culminated again in anti-Japanese riots in April of 2005."¹⁷⁴ As a result, Japan is now diversifying its FDI and is now looking at Vietnam. Japan's economic investment in Vietnam has increased since 2000 ranking eighth and in 2005 ranking fourth. Japanese

¹⁶⁹ Hookway, "Politics and Economics," A6.

¹⁷⁰ Japan Corporate News Network, "Panasonic Established R&D Center in Hanoi, Vietnam," Tokyo: April 5, 2007: 1.

¹⁷¹ Hookway, "Politics and Economics," A6.

¹⁷² Ibid.

¹⁷³ Lee, "The World Manufacturers Taking Flight."

¹⁷⁴ Hisane Masaki, "Japan Inc. Smitten by Vietnam."

firms have targeted FDI toward Vietnam. For example, Yamaha Motor Corporation has invested \$48 million in Vietnam and Nippon sheet Glass Co's set up a joint-venture with a domestic Vietnamese Company.¹⁷⁵ Moreover, in 2005 Japanese invested \$400 million in 97 new FDI projects in Vietnam. This made Japan fourth in FDI in the country behind Hong Kong and South Korea.

2. Growing Trade between Vietnam and the World

Vietnam's economic partners have increase at the turn of the century. This further allows Hanoi to expand and deepen economic linkages so that it's not too dependent on China. In 2004 (Vietnam Major Import Export Markets, Table 2 below), Vietnam achieved a balanced link toward economic interdependence with the rest of the world. While China is Vietnam's leading importer, Hanoi now trades with other Asia countries such as Taiwan, Singapore and Japan. The United States is now Vietnam's largest export market. Moreover, Vietnam is successful in linking its economy to other regions, the EU (Germany, France, Holland) and another regional power India. Moreover, Vietnam's overall export trade is now almost equally divided between Asia and the rest of the world. This diversity is what Vietnam has sought (see Table 2.).

¹⁷⁵ Masaki, "Japan Inc. Smitten by Vietnam."

Vietnam Major Export and Import Markets

(Year: 2004, Unit: US\$ million)

Export Markets			Import Markets	
Rank	Country/territory	Amount	Country/territory	Amount
1	United States	4,992.3	China	4,456.5
2	Japan	3,502.4	Taiwan	3,698.0
3	China	2,735.5	Singapore	3,618.5
4	Australia	1,821.7	Japan	3,552.6
5	Singapore	1,370.0	Korea	3,328.4
6	Germany	1,066.2	Thailand	1,858.1
7	Britain	1,011.4	Malaysia	1,214.7
8	Taiwan	905.9	United States	1,127.4
9	Korea	603.5	Hong Kong	1,074.7
10	Malaysia	601.1	Germany	694.3
11	Holland	581.8	Russia	671.2
12	France	557.0	Indonesia	662.7
13	Philippines	498.6	Switzerland	661.9
14	Thailand	491.0	France	617.0
15	Indonesia	446.6	India	593.5

Source: Vietnam General Statistical Office

Table 2. Vietnam Major Export and Import Markets¹⁷⁶

As further evidence of the diversification of Vietnam's economic strategy, the chart below illustrates Hanoi has ties not only with Asia but also Europe and North America. (see Figure 3.).

¹⁷⁶Vietnam General Statistical Office General Statistical Office of Vietnam (GSO). http://www.vietnam-ustrade.org/Eng/major_exports.htm (accessed July 7, 2007).

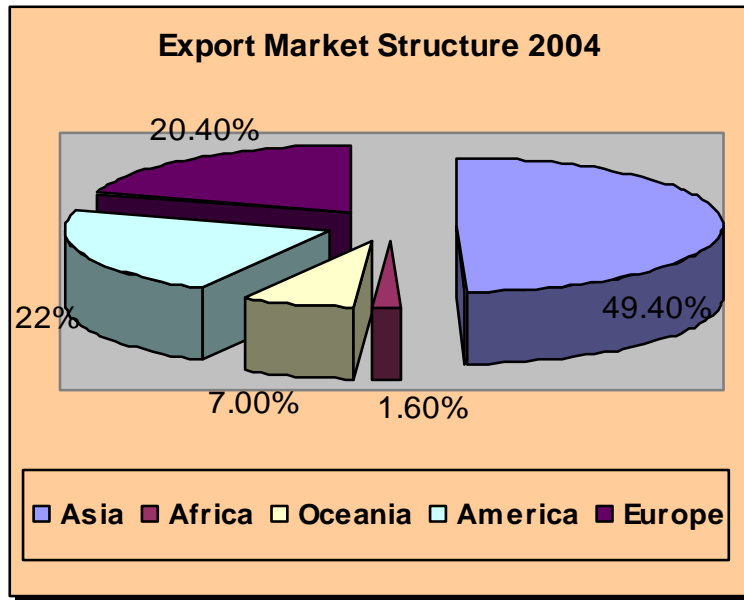


Figure 3. Export Market Structure¹⁷⁷

Finally, Vietnam has diversified its commodities exports. Although primary products remain the largest export of goods, Hanoi has sought to grow and expand other types of commodities. Specifically, low cost manufactures goods such as computer parts, plastic products and apparel and textiles have increased since the turn of the millennium (see Table 3.).

¹⁷⁷ Vietnam General Statistical Office General Statistical Office of Vietnam (GSO). http://www.vietnam-ustrade.org/Eng/major_exports.htm (accessed July 7, 2007).

Table: Major Exports*Unit: US\$ million*

Products	Unit	2001	2002	2003	2004	2005
Crude oil	1000 tons	16731.6	16876.0	17142.5	19500.6	18084.0
Coal	1000 tons	4291.6	6047.3	7261.9	11624.1	17882.0
Tin	Ton	2233.0	1668.0	1953.0	1817.0	N/A
Electronics, computers & components	US\$ ml.	709.5	605.4	854.7	1075.4	1442.0
Plastic products	“	119.6	143.4	170.2	N/A	350.0
Cable & wire	“	181.0	187.7	291.7	389.0	520.0
Bicycle & parts	“	129.4	122.7	155.4	239.0	145.0
Luggage & flat goods	“	183.3	237.2	243.3	N/A	465.0
Footwear	“	1587.4	1875.2	2260.5	2691.6	3005.0
Apparel & textiles	“	1975.4	2732.0	3609.1	4385.6	4806.0
Cork and rattan	“	93.9	107.9	136.1	N/A	180.0
Art crafts & lacquer ware	“	34.0	51.0	59.6	N/A	N/A
Ceramics	“	117.1	123.5	135.9	N/A	251.0
Hand embroidery	“	54.7	52.7	60.6	N/A	N/A
Vegetable and fruit	“	344.3	221.2	151.5	178.8	234.0
Pepper	1000 Tons	57.0	78.4	73.9	111.9	110.0
Coffee	“	931.1	722.2	749.4	974.8	885.0
Natural rubber	“	308.1	454.8	432.3	513.3	574.0
Rice	“	3720.7	3236.2	3810.0	4059.7	5202.0
Cashew nut	“	43.6	61.9	82.2	105.1	103.0
Tea	“	67.9	77.0	58.6	99.4	89.0
Wooden furniture	“	323.7	430.8	566.8	1139.1	1517.0
Seafood	US\$ ml.	1816.4	2021.8	2199.6	2401.2	2741.0

Table 3. Vietnam Major Exports¹⁷⁸

¹⁷⁸ Vietnam General Statistical Office General Statistical Office of Vietnam (GSO).
http://www.vietnam-ustrade.org/Eng/major_exports.htm (accessed July 7, 2007).

F. CONCLUSION

In the late 1970s, Vietnam's foreign policy balanced against China and relied heavily on the Soviet Union for economic aid. Unfortunately, close ties with Moscow did not mean economic prosperity. In 1986, Vietnam realized with Soviet retrenchment that the nation was in a weak position economically compared to its neighbors (ASEAN) and China. Hanoi sought to transform its economy with *Doi Moi* and looked to China as the model.

While trade between China and Vietnam expanded in the 1990s, historical distrust and China's economic rise forced Hanoi to seek its own path. For Vietnam, "The global economy has seemed more attractive and less threatening to Hanoi than the possibility of dependence on its large neighbor."¹⁷⁹ As a result, Vietnam balanced against an over reliance on China and expanded its economic ties with regional actors in Asia and major external actors (U.S/EU).

Since 2000, Hanoi has continued to strengthen its position *vis-à-vis* China's economic and political dominance while improving its economy. While the two states practice trade and cordial relations, Hanoi continues to take measures to ensure its independence from China. Vietnam's economic enmeshment with other countries allows it to attract foreign direct investment, capital and technology to diversify exports commodities. As a result, Vietnam's GDP growth rate in the last 15 years is second in the world only behind China. This has positive effects as the per capita income has improved from \$140 in 1990¹⁸⁰ to \$726 in 2006.¹⁸¹ Moreover, poverty rates have diminished since 1990. Hanoi has strengthened its bargaining position versus China by integration into the world economic stage. The economic linkages today provide Hanoi

¹⁷⁹ Brantly Womack, "International Relationships at the Border and Vietnam: An Introduction." *Asian Survey* 40, no. 6 (November/December 2000): 985.

¹⁸⁰ World Bank Report, "*Vietnam: Poverty Assessment and Strategy*", Operations Division, Country Department I, East Asia and Pacific Region (Washington, DC: World Bank, January 1995), 2 cited in John Bresnan, "A Society Emerging from Crisis," in *Vietnam Joins the World*, James W. Morely and Masashi Nishihara eds (Armonk, NY: M.E. Sharpe, Inc. 1997), 70.

¹⁸¹ United States State Department Country Brief, <http://www.state.gov/r/pa/ei/bgn/4130.htm> (accessed August 15, 2007).

leverage. Vietnam can engage China with regional forums and through economic stakeholders (other countries) to ensure it has allies to rely on should Beijing adopt an aggressive posture.

IV. TONKIN GULF AND LAND BORDER DISPUTES

A. INTRODUCTION

The purpose of chapter is to examine security issues in Sino-Vietnam relations to complement the previous chapter's focus on economic relations. The chapter will primarily focus on Vietnam's diplomatic and political fronts of national security with respect to China. It will use case studies to examine Hanoi's strategy with regards to the land border and maritime disputes (Tonkin Gulf and Con Son Basin).

The section will demonstrate that Vietnam has used a combination of economic engagement and diplomatic talks with a soft balancing strategy with regards to China. Specifically, the section will reveal that Vietnam did not use a soft balancing approach to its land border dispute with China in the 1990s. However, Hanoi did use a soft balancing strategy to deal with China with regards to the Tonkin Gulf and Con Son Basin in the 1990s. Moreover, this chapter will illustrate how Vietnam continues its economic and diplomatic engagement strategy with China while ensuring mechanisms are in place to softly-balance Beijing's influence in Southeast Asia.

The chapter is divided into three main parts. The first portion will discuss the land border disputes, and focuses on diplomacy and cross border trade. Next, the chapter will discuss the Tonkin Gulf and Vietnam's integration into ASEAN to softly balance China. The last portion of the chapter will briefly discuss Hanoi's soft balancing methods in 2000 to ensure it has options when dealing with its larger and more powerful northern neighbor, China.

Vietnam and China officially re-established diplomatic ties in November 1991 despite the ongoing disputes and tensions on the land border and in the Tonkin Gulf. The two sides agreed to resolve the two areas of contention through diplomatic talks.¹⁸² For Hanoi, it had lost a superpower sponsor due to the Soviet Union's retrenchment in

¹⁸² Rames Amer, "Assessing Sino-Vietnamese Relations through the Management of Contentious Issues," *Contemporary Southeast Asia* 26, no. 2 (August 2004): 327. <http://www.proquest.com> (accessed September 1, 2007).

Southeast Asia and its eventual collapsed. Vietnamese leaders realized the country was behind several Southeast Asia nations and China in economic development and quickly wanted peace and its northern border after twelve years of hostilities.

B. BORDER ISSUE

This section examines the diplomacy between the two sides first and then turns to border trade. It is important to note that while diplomatic talks were under way, the two sides increased trade in their border region. The evidence illustrates that there was not any signs of soft balancing with regards to the land border dispute.

1. Diplomatic Actions

The land border dispute was solved through a series of bilateral talks from 1992-1999. The crux of the disagreement was a combination of historical distrust and different interpretations of the Franco-Chinese border demarcation agreement in the late 1800s along the 1,350 kilometer border.¹⁸³ The initial hurdle was to move past historical animosity between the two sides, most notably the recent flare-up of the 1979 border war which led to claims by Vietnam that China moved the respective border markers to increase territory.¹⁸⁴ Of note, the Friendship Pass area was a contentious issue. Hanoi claimed Beijing moved the border 300 meters inside Vietnam's territory.¹⁸⁵ While this appears small, history plays a role. Vietnamese sometimes referred to Friendship Pass as the, "Conquering Barbarian Pass and Conquering South Pass."¹⁸⁶ According to Tempest, "This was the traditional route for invading Chinese armies. No other place better symbolizes the long-standing enmity between China and Vietnam, which has never

¹⁸³ Kenny, *Shadow of the Dragon*, 55.

¹⁸⁴ Amer, "Assessing Sino-Vietnamese Relations through the Management of Contentious Issues," 324.

¹⁸⁵ Okabe, "Coping with China," 122.

¹⁸⁶ Rone Tempest, "China, Vietnam Hold Formal Talks on Longtime Land and Sea Disputes Asia: Oil drilling rights in the South China Sea are main issue. Dialogue may help ease ancient conflict" [Home Edition]. *Los Angeles Times (pre-1997 Fulltext)*, August 20, 1994. <http://www.proquest.com/> (accessed September 12, 2007).

forgiven 1,000 years of Chinese rule that ended in 939 AD.”¹⁸⁷ Moreover, the border war in 1979 led to a few towns and villages with conflicting claims, such as the areas between Guangxi (China) and Lang Son (Vietnam).¹⁸⁸ Additionally, there were 333 border markers planted in the early 1900s but after years of neglect there were areas in disagreement. Finally, to add to the task, Amer stated, “Reaching an agreement was by no means simple, given the geography of the border areas which encompassed not only mountainous terrain which are not easily accessible but also rivers.”¹⁸⁹

Vietnam and China agreed to a three tier approach to resolve the issue. The negotiations ranged from a “Series of expert level talks, government-level talks (at deputy/vice ministers; foreign minister levels) and high-level talks (at secretary-general of CCP and CPV, President and Prime Minister Level).”¹⁹⁰ In 1994 there was progress as, “...both sides agreed in principle to observe the boundaries set in an 1897 treaty signed between the Qing Dynasty and the French colonial government in Vietnam.”¹⁹¹ The Vietnamese specifically claimed there was approximately 236 areas on the border which China crossed the original 1897. ¹⁹²

Eventually, through continued bilateral talks and pressure from high level government officials both sides made small strides. In 1996, both sides agreed to re-establish rail service between Guangxi, China to Long Son, Vietnam.¹⁹³ This incremental step allowed the countries to slowly build trust. According to Amer, “The re-opening of the railway in February 1996 stands out as the most significant achievement in managing bilateral relations and increasing cooperation without formally resolving the territorial disputes.”¹⁹⁴

¹⁸⁷ Tempest, “China and Vietnam Hold Talks.”

¹⁸⁸ Amer, “Assessing Sino-Vietnamese Relations through the Management of Contentious Issues,” 327.

¹⁸⁹ Ibid.

¹⁹⁰ Ibid.

¹⁹¹ Tempest, “China and Vietnam Hold Talks.”

¹⁹² Ibid.

¹⁹³ Kenny, *Shadow of the Dragon*, 54.

¹⁹⁴ Amer, “Sino-Vietnamese Relations: Past, Present and Future,” 110.

The rail service progress was followed by a summit between Vietnam's Communist Party Leader, Do Moui and China's leader, Jiang Zemin in 1997. At this meeting both agreed to solve the land border issue by 2000.¹⁹⁵ As a further sign of progress and diplomatic goodwill, the PLA announced completed the removal of approximately 2.2 million land mines around the border region in 1999 (actual worked started in the mid 1990s).¹⁹⁶ Moreover, a compromise was reached over the 300 meter dispute over Friendship Gate. The border was moved 148 meters north of the line China claimed which satisfied the both sides.¹⁹⁷

By early 1999, the two sides reached consensus on 900 kilometers of the 1,350 kilometer common border. The remaining 450 kilometers in disagreement were divided into three areas: Type A, B and C. The type A and B disputes ranged from different viewpoints, interpretation of maps and past treaties.¹⁹⁸ The remaining disagreements were narrowed down to 227 square kilometers and the differences ranged from "...conflicting historical maps, current management and control, current or recent occupancy, terrain definition, and international law."¹⁹⁹ Eventually the 227 square miles were divided and China received 114 square kilometers and 113 square kilometers went to Vietnam.²⁰⁰ Finally, the Land Border Treaty was signed on December 30, 1999 and in 2000 both states ratified it.²⁰¹

The diplomatic process was a slow and arduous effort from both sides. The two countries had to juggle areas of contention with historical animosity. I believe the border trade and economic linkages helped the two sides settle the land border issue. The next section will look at the economic trade at the border during the 1990s.

¹⁹⁵ Kenny, *Shadow of the Dragon*, 54.

¹⁹⁶ Ibid.

¹⁹⁷ Womack. *China and Vietnam: The Politics of Asymmetry*, 227.

¹⁹⁸ Kenny, *Shadow of the Dragon*, 55.

¹⁹⁹ Ibid.

²⁰⁰ Womack, *China and Vietnam: The Politics of Asymmetry*, 227.

²⁰¹ Amer, "Sino-Vietnamese Relations: Past, Present and Future," 330.

2. Economic Trade at the Border in the 1990s

The single most important economic reality of normal border relations is trade. Without trade, a border region suffers the disadvantages of being on the edge of a closed national economy. With it, location becomes an advantage and the border region becomes the most convenient place to buy and sell goods with the neighboring country.²⁰²

Vietnam and China required stability and peace at the border region to promote economic growth. The above quote above illustrates the advantage of cooperation for both sides upon normalization and the official restart of border trade in 1991. Before the reopening of border trade, the border regions of Vietnam and China were not developed. According to Xiansong and Womack, the area was “primitive” and “Transportation, post and telecommunications infrastructure was underdeveloped, as was the degree of municipal administration.”²⁰³ Additionally, from a holistic view, in the early 1990s, the two countries not only shared the same plight at the border but as Li Ma states, “The two countries, in fact realized that their common situation brought with it common interest, i.e., some identical problems and short-term objectives. Among those was the necessity for sustainable economic growth, foreign direct investments, and regional stability.”²⁰⁴

The opening of the border trade facilitated economic growth and diplomatic agreements from both sides despite an undercurrent of historical distrust. In February 1992, the Friendship Pass border-crossing allowed trucks to pass through for the first time since 1979.²⁰⁵ This was significant because Vietnam and China still had issues concerning the location of the border marker at the pass. However, while this was a positive step, Kathy Wilhem noted the Vietnamese, “...off the record, officials speak bluntly about their fears of China. They note that the United States fought in Vietnam

²⁰² Gu Xiaosong, and Brantly Womack. “Border Cooperation Between China and Vietnam in the 1990s.” *Asian Survey* 40 (6) (November-December 2000.): 1047.

²⁰³ Ibid., 1052.

²⁰⁴ Ma, “China and Vietnam,” 57.

²⁰⁵ Sveinung Johannes Sloreby, “*Explaining Improvement of Bilateral Relations: The Case of Vietnam’s Relations with China, 1985-2001*” A thesis for the Candidate of Political Science Degree at the Department of Political Science, University of Oslo (accessed July 15, 2007: http://www.prio.no/files/file42558_wresearchasiasecuritypublicationspdfsloreby.pdf?PHPSESSID=b8a30ac): 65.

less than two decades, but China occupied it for more than 1,000 years and repeatedly invaded after being driven out in the year 938.”²⁰⁶ However, despite the historical animosity, in 1992, both sides passed laws at the national and provincial levels to make it easier to facilitate border trade between their respective provinces.²⁰⁷ Specifically, the agreements facilitated economic engagement between China’s southern provinces, Guanxi and Yunnan, population approximately 88 million and Vietnam’s northern provinces with a population of approximately four million.²⁰⁸

Economic cooperation and trade had synergistic effects for both countries. First, it facilitated mutual cooperation to promote trade and efficiency. Economic cooperation districts appeared along the border cities of both states. These areas served as the hub for “...the accumulation and distribution of goods, as well as for trade and information exchange.”²⁰⁹ Eventually, in search of further efficiency both countries developed and linked transportation networks (rail, bridges and highways) to increase trade. For example, a bridge was built from Dongxing, China crossing over the Beilun River to Vietnam.²¹⁰ Highways were made more efficient and expanded to isolated regions. Moreover, both sides of the border experienced an increase in construction of new facilities, electric power and telephone services. Additionally, the liberalization of economic trade promoted increase interaction between the countries in terms of tourism. Tourism was non-existent in the 1980s, but statistics revealed from 1993 to 1998, there were over 12 million people who crossed the border between Vietnam and China.²¹¹

²⁰⁶ Kathy Wilhelm, “China, Vietnam Make Money, Not War; Border Tensions Remain; Asia: Many fear the dispute over Friendship Pass and more than 200 other sites could reignite fighting between the longtime enemies [Bulldog Edition],” *Los Angeles Times* (pre-1997 Fulltext), October 22, 1995. <http://www.proquest.com/> (accessed September 12, 2007).

²⁰⁷ Xiasong and Womack, “Border Cooperation Between China and Vietnam in the 1990s,” 1046–1047.

²⁰⁸ *Ibid.*, 1043.

²⁰⁹ *Ibid.*, 1052.

²¹⁰ *Ibid.*

²¹¹ *Ibid.*, 1050.

China estimated that Vietnamese tourist had an economic impact of 745 million yuan.²¹² Overall both states experience mutual gains. The next section will look at each state individually.

The effect of the border trade was mainly positive for China and largely positive for Vietnam with a few negative side effects. While the total Chinese trade with Vietnam in the 1990s was fairly small, it was important to China's southern provinces. Due to their geographic location, these provinces did not have a chance to participate in economic reforms until full normalization with Vietnam. Guangxi is a good example of how trade benefited China. Accordingly, by 1991, "...the border trade was two-thirds of the provinces' official trade with Hong Kong and more than Guangxi's combined trade with Japan, the United States, Germany, Singapore and France..."²¹³ Another important statistics is "...Guangxi Province saw the value of its total trade with Vietnam increase rapidly from 450 million yuan in 1988 to 2.6 billion yuan in 1992, an almost six-fold jump."²¹⁴ Additionally, from a logistical perspective, China's southwestern provinces gained the use of Vietnam's Haiphong port to ship commerce versus going through Canton.²¹⁵

For Vietnam the border trade meant it could open up its economy and sell resources such as coal, rubber, agriculture and other primary products to China. Additionally, new trade routes opened up and exposed communities to increase traffic. According to Wilhelm in the mid 1990s, "All along the mountainous border, towns and villages remote from other trade routes are achieving new prosperity from trading with China."²¹⁶ Through increase economic trade, studies suggested that the quality of life in Vietnam improved. As Womack states, "On the Vietnamese side, field survey data comparing 1990 figures with those of 1993 show that 54% of families in the border areas

²¹² Xiasong and Womack, "Border Cooperation Between China and Vietnam in the 1990s," 1040.

²¹³ Brantly Womack, "Sino-Vietnamese Border Trade: The Edge of Normalization," *Asian Survey*, 34, no. 6 (June 1994): 503.

²¹⁴ Xiaosong and Womack, "Border Cooperation Between China and Vietnam in the 1990s," 1048.

²¹⁵ Ma, "China and Vietnam," 57.

²¹⁶ Wilhelm, "China, Vietnam Make Money."

of northern Vietnam had raised their standard of living, 31% remained at existing levels, and only 15% experienced declines.”²¹⁷

The negative impact for Vietnam was its manufacturing community could not compete with Chinese made products. Womack stated, “The import of Chinese consumer and light production goods has eased a severe shortage, especially in northern Vietnam, but also overwhelmed local production.”²¹⁸ To protect its domestic production, Hanoi attempted to ban 17 different products and raise tariffs on imports from China from 1992 to mid 1993.²¹⁹ However, this protectionist measure did not work as the consumers of Vietnam were hurt by this strategy. Moreover, higher tariffs by Vietnam led to more smuggling, which at time became a source of contention between the two sides. According to Womack, had Vietnam continued to raise tariffs and control imports it would require additional law enforcement at the border which would “...harm the general tone of relations with China.”²²⁰ Also, Vietnam in the early 1990s was in no position to “...practice effective unilateral control of the border.”²²¹ As a result, Vietnam opted to continue with free trade and decided the positives of economic liberalization outweighed the negatives.

Overlapping national interest in economic development on both sides facilitated diplomatic talks to resolve the border dispute. As Sveinung noted, the border trade assisted both countries political leaders because they claimed the economic strategy benefited all regions within their respective countries.²²² Moreover, as Womack stated in the 1990s, “Within the general Chinese-Vietnamese interest relationship, the border trade is likely to play a stabilizing role as the major expression of a shared material interest in

²¹⁷ Xiaosong and Womack, “Border Cooperation Between China and Vietnam in the 1990s,” 1056.

²¹⁸ Womack, “Sino-Vietnamese Border Trade: The Edge of Normalization,” 497.

²¹⁹ Ibid.

²²⁰ Ibid., 509.

²²¹ Ibid., 506.

²²² Storey, “*Explaining Improvement of Bilateral Relations: The Case of Vietnam’s Relations with China.*”

cooperation.”²²³ This is evident as bilateral trade between the two countries increased from \$32 million in 1991 to 1.25 billion in 1997.²²⁴

In conclusion, the actions between Vietnam and China concerning the Land Border disputes and the eventual treaty remained bi-lateral as both sides did not involved outside countries or organizations. There was no soft balancing by Hanoi. The Tonkin Gulf and Con Son Basin is a different story.

C. TONKIN GULF AND CON SON BASIN

This section is divided into three areas. The first section provides at brief background of the Tonkin Gulf and Con San Basin. The second section will illustrate how China’s actions in the South China Sea which accelerated Vietnam’s immersion into ASEAN. From there, I will provide evidence on Vietnam’s soft balancing approach to ensure a level playing field with China.

1. Background

Vietnam is sensitive to issues in and around the South China Sea since much of the country’s 3,260km coastline and economic exclusive zone borders it, most notably the Tonkin Gulf and Con Son Basin. The areas of tensions were amplified in the 1990s due to contested interpretation of economic exclusive zones and which nation had rights to exploit the natural resources within the respective waters (oil/natural gas and fisheries). China estimated the Tonkin Gulf area may have “...one of the biggest oil and gas concentrations in the world, with oil deposits estimated at 2.29 billion tons and natural gas deposits of 1,444 billion cubic meters.”²²⁵ Additionally, both countries rely on the

²²³ Womack, “Sino-Vietnamese Border Trade: The Edge of Normalization,” 512.

²²⁴ Kenny, *Shadow of the Dragon*, 87.

²²⁵ Kenyuan Zou, “The Sino-Vietnamese Agreement On Maritime Boundary Delimitation in the Gulf of Tonkin.” *Ocean Development and International Law* 36, no. 1 (January 1, 2005): 14. <http://www.proquest.com/> (accessed September 2, 2007).

gulf for maritime transport and the fishery resources. Scientist estimated the “...sustainable catch in the Gulf is 600,000 tonnes per year.”²²⁶

Vietnam and China required over eight years (1992 – 2000) of formal and informal talks to agree on a resolution to the delimitation in the Gulf of Tonkin. There were over 60 different meetings which ranged from the joint working group, mapping groups and three at the government level.²²⁷ At first the two countries could not even reach consensus on what to call the Gulf. Beijing called the gulf Nan Hai (South Sea), and Hanoi called the area Bien Dong (East Sea). This clearly reflected the countries geographic perspectives and nationalistic views.²²⁸ The common thread for both countries was to resolve the issue peacefully through negotiations to ensure stability and economic growth.

The dilemma was what to use for a starting point, the Sino-French Treaty or the UN Law of the Sea? Eventually, the two sides agree to use the UN Law of the Sea which stipulates states have the right to exclusive economic zones of 200 nautical miles of their respective coast. However, the Tonkin Gulf is approximately 176 nautical miles at its widest point so there was obviously overlapping claims.²²⁹ This led to several small naval clashes over exploration of oil, natural gas and fishing rights in the 1990s.²³⁰

Through diplomatic talks, the two states reach an accord. On December 25, 2000 Vietnam and China signed an agreement on the delimitation of the Tonkin Gulf and Fishery Cooperation. The agreement settled the issue of sea boundaries, exclusive economic zones, and the continental shelves. Under the agreement Vietnam received

²²⁶ Kenyuan Zou, “The Sino-Vietnamese Agreement on maritime boundary delimitation in the Gulf of Tonkin.” *Ocean Development and International Law* 36, no. 1 (January 1, 2005): 18. <http://www.proquest.com/>. (accessed September 2, 2007).

²²⁷ Viet Nam News Source, July 3, 2004. <http://vietnamnews.vnanet.vn/2004-07/02/Stories/02.htm> (accessed August 31, 2007).

²²⁸ Rone Tempest, “China and Vietnam Hold Talks.”

²²⁹ Hong Thao Nguyen, “Maritime delimitation and fishery cooperation in the Tonkin Gulf.” *Ocean Development and International Law* 36, no. 1 (January 1, 2005): 30.

²³⁰ Kenny, *Shadow of the Dragon*, 71.

53.23% and China 46.77% of the gulf area.²³¹ The diplomatic efforts from both countries settled the dispute. But, Hanoi had to use a soft balancing strategy (diplomatic entanglement and limited security arrangement) to ensure a fair deal. Events in the Con Son Basin led Vietnam to adopt a soft balancing approach in 1990s with respect to the Tonkin Gulf.

Vietnam views the Con Son Basin as vital to the sovereignty and economic development. The sea area is located off the coast of southern Vietnam. Hanoi started to exploit the area out to 200 miles for oil since the late 1980s with various foreign companies.²³² The sea area is in close proximity to the Spratly Islands which have overlapping claims from numerous ASEAN states, (to include Vietnam and China) over ownership of the Spratly Islands. Moreover, the area is "...dangerously close to an extension of China's infamous nine dotted lines that demarcate its claims in the South China Sea."²³³ It is the Con Son Basin that awakened Vietnam's historical distrust of China.

2. China's Action in the Tonkin Gulf and Con Son Basin

In February 1992, Beijing announced its Territorial Water Law which stated the South China Sea Islands were claimed by China and that it could use force to remove anyone who infringed on its sovereignty.²³⁴ In May 1992, China followed this up with granting rights to Crestone (U.S. company) to explore for oil in an area which Vietnam claimed as part of its continent shelf, in the Con Son Basin. The area was 600 miles away from Hainan Island, China's closest undisputed territory.²³⁵ Additionally, what made matters worse, Crestone's President Randal Thompson suggested to reporters that China would use its navy to protect Crestone against any aggression from other

²³¹ Viet Nam News, July 3, 2004. <http://vietnamnews.vnanet.vn/2004-07/02/Stories/02.htm> (accessed August 31, 2007).

²³² Kenny, *Shadow of the Dragon*, 71.

²³³ Ibid.

²³⁴ Okabe, "Coping with China," 126.

²³⁵ Kenny, *Shadow of the Dragon*, 71.

countries.²³⁶ Further successive actions by Beijing in and around the Tonkin Gulf/Con Son Basin within a short timeframe caused additional concern were: 1) China landed troops and planted a territorial marker on Dac Lac Reef in the Spratlys.²³⁷ (1992) 2) China built a drilling platform in a disputed area in the Gulf of Tonkin (1992) and impounded Vietnamese ships out of Hong Kong which Beijing claimed carried goods to Vietnam to be smuggled into China (1992).²³⁸ 3) May 1993, Chinese drillings ships again encroached on Vietnam's territorial waters.²³⁹ All of these events occurred as talks began on the Land Border and Demarcation of the Tonkin Gulf.

3. Vietnam's Diplomatic Strategy—Multilateral Engagement

Vietnam found itself concerned about China's actions but without an ally to balance against China, Hanoi tried quiet diplomacy with China while it slowly engaged ASEAN to counter China. Vietnam signed the ASEAN Treaty of Amity and Concord in 1992.²⁴⁰ By doing so, Vietnam reverted back to history and as David Wurfel stated, "Fear and distrust of China must surely be the most important emotional foundation of Vietnamese foreign policy, a feeling much older than the ideological camaraderie of the 1950 and 1960s—the revival of which in 1991 was so short lived."²⁴¹ Moreover, interviews with Vietnamese officials in 1993, suggested Hanoi believed Beijing had a South China Sea strategy.²⁴² As a result of China's aggressive actions, Vietnamese officials contemplated their options as:

There are three possible ways or organizing our relations with China: 1) confrontation 2) satellite status similar to North Korea or 3) median position between the two. Satellite status provides no guarantees. North Korea was sacrificed by China when it turned to South Korea. Also, even if Vietnam were to be a good satellite, China would not leave us alone.

²³⁶ Okabe, "Coping with China," 126.

²³⁷ Ibid., 127.

²³⁸ Amer, "Sino-Vietnamese Relations: Past, Present and Future," 75.

²³⁹ Wurfel, "Between China and ASEAN," 152.

²⁴⁰ Thayer, "Sino-Vietnamese Relations: The Interplay of Ideology and National Interest," 526.

²⁴¹ Wurfel, "Between China and ASEAN," 153.

²⁴² Thayer, "Sino-Vietnamese Relations: The Interplay of Ideology and National Interest," 528.

They will always pressure us and try to dominate Southeast Asia. We tried for a full year to forge new relations with China but we failed. Take its occupation of Bay Tu Chinh (a reef in the Spratly archipelago) and the Crestone affair. Okay, we distrusted China but it was only with Bay Tu Chinh that we understand that China follows its national interest. That game in the nature of international politics.²⁴³

Vietnam adopted a hybrid approach of cooperation with Beijing and “diversification and multi-directionalization” at the 1992 Seventh Party Congress.²⁴⁴ As one Vietnamese foreign ministry official stated the plan was that, “Sino-Vietnam relations will be meshed within the much larger regional network of interlocking economic and political interest. It is an arrangement whereby anybody wanting to violate Vietnam’s sovereignty would be violating the interest of other countries as well.”²⁴⁵ As such, Vietnam stepped up efforts to enmesh itself into regional forums and the international community. As Okabe states one of the main goal for Vietnam’s ASEAN membership was to counter the China threat in the South China Sea because several ASEAN states shared Vietnam’s concern about China’s activities in the area.²⁴⁶ The new strategy of “engagement” with the world through the use of multi-directional or omni-directional foreign policy would show results in 1995.

Vietnam’s foreign policy campaigns of multilateral engagement to softly balance China achieved several milestones in 1995. Vietnam became a member of ASEAN and established diplomatic ties with the United States and the European Union. ASEAN membership allowed Vietnam a way to re-establish diplomatic ties with individual states in Asia. It also served as a strategic safety net that Vietnam could leverage to mitigate direct confrontation with China over disputes.²⁴⁷ Moreover Dosch suggest, “Vietnam’s accession to ASEAN meant that the Association now grouped all of China’s adversaries

²⁴³ Hong Thach Nguyen, “Vietnam-China Ties,” cited in Carlyle A. Thayer, “Sino-Vietnamese Relations: The Interplay of Ideology and National Interest,” *Asian Survey*, XXXIV, no. 6, June 1994: 528.

²⁴⁴ Vuving, “Strategy and Evolution of Vietnam’s China Policy: A Changing Mixture of Pathways,” 815.

²⁴⁵ Thayer, “Sino-Vietnamese Relations: The Interplay of Ideology and National Interest,” 528.

²⁴⁶ Okabe, “Coping with China,” 129.

²⁴⁷ Dosch, “Vietnam’s ASEAN Membership Revisited,” 237.

in the conflict about overlapping territorial claims in the South China Sea.”²⁴⁸ The milestones also provided Hanoi a way to slowly gain contact and establish access to the west and most notably its markets via the United States. It also provided Vietnamese leaders an opportunity to learn the rules and nuances of the international and diplomatic arenas. Vietnam lacked experience with the international community after years of war and isolation. Finally, diplomatic ties allowed Hanoi to facilitate dialogue on economic and limited security programs which it required to improve its socio-economic situation and position *vis a vis* China.

Vietnam re-established ties with the United States not only opened up diplomatic and economic doors to the west, it also had other strategic affects. While the Vietnamese are not likely to publicly admit the role of United States in its security, Nayan Chanda, deputy editor of the Far Eastern Economic Review, reported, “in April 1995 a well-informed Vietnamese opined that the government is counting on...eventual strategic ties with the U.S. to counter the threat from a resurgent China.”²⁴⁹ The key for Vietnam was how to reap the benefits of multilateral engagement while maintaining cordial relations with China.

After 1995, Hanoi pursued a two track foreign policy strategy. First, it continued to facilitate cooperation and dialogue with China to maintain stability and attract foreign direct investment from various countries and regions (ASEAN states, U.S., Japan, EU). Secondly, Vietnam enhanced its “bargaining” position with China through the use of multilateral forums and bilateral relations. As Jorn Dosch states, “To some extent, Vietnam’s ASEAN membership partly transformed bilateral Sino-Vietnamese disputes into a multilateral agenda involving China and ASEAN as a group.”²⁵⁰ Two events illustrate how Vietnam used multilateral diplomacy to balance against China.

²⁴⁸ Dosch, “Vietnam’s ASEAN Membership Revisited,” 250.

²⁴⁹ Okabe, “Coping with China,” 130.

²⁵⁰ Dosch, “Vietnam’s ASEAN Membership Revisited,” 244.

4. Soft Balancing through Limited Security Cooperation and Diplomatic Entanglement

Vietnam and the Philippines collaborated to form a limited security agreement in the wake of Beijing's action in the South China Sea. In 1995, China built a platform and occupied Mischief Reef, a feature in the Spratly Islands which was well within the Philippines exclusive economic zone. The Philippines were upset with the lack of response from ASEAN. A year later (1996), Hanoi and Manila signed a "Memorandum of Understanding on Joint Oceanographic and Marine Scientific research in the South China Sea."²⁵¹ The first "joint" research was accomplished near Mischief Reef. Additionally, in 1997 defense officials from the Philippines and Vietnam met to discuss further cooperation. This is an example of how Vietnam learned to cooperate with other countries that had competing interest in the South China Sea. Vietnamese policy makers realized they could use bilateral engagement to diplomatically and indirectly stand up to softly balance China's action.

Vietnam learned how to engage regional forums to balance against China in 1997. This diplomatic entanglement allowed Vietnam to softly balance China. According to Vuving, "On March 7, 1997, China sent the mobile oil platform Kantan-III and two pilot ships to conduct exploratory oil drilling in the Tonkin Gulf, in an area that Vietnam claimed was within its exclusive economic zone (EEZ)."²⁵² This occurred despite the fact the two sides reached an accord in 1993 which stated both parties would not explore for oil in areas of contention until an official agreement was reached.²⁵³ One Vietnamese diplomat stated, "This action had added another example that the Chinese expansionist policy has remained unchanged."²⁵⁴ Vietnam attempted to use backdoor channels to solve the issue with Beijing. But after stalled negotiations, Vietnam went public. It also called the ASEAN ambassadors and said, "if China behave this way to Vietnam, it could

²⁵¹ Wurfel, "Between China and ASEAN," 156.

²⁵² Vuving, "Strategy and Evolution of Vietnam's China Policy: A Changing Mixture of Pathways," 815.

²⁵³ Wurfel, "Between China and ASEAN," 156.

²⁵⁴ Ibid., 156.

behave the same way towards (them).”²⁵⁵ As a result, in April China withdrew its vessel from the area. Vietnam had played the ASEAN hand, but did not want the press to throw it in the face and embarrass China.²⁵⁶

Furthermore evidence of soft-balancing in the realm of “limited security arrangements” is also evident in the Kantan III incident. The Chinese incursion into Vietnam’s EEZ overlapped with Admiral Prueher, Commander-In-Chief, United States Pacific Command visit to Hanoi for talks on POW/MIA and military to military discussions.²⁵⁷ Admiral Prueher’s presence certainly had an affect on the incident, as Vuving states:

On March 22, during the row with China, the commander of U.S. forces in the Pacific, Joseph Prueher went to Hanoi, becoming the highest U.S. military official to visit Vietnam since normalization. These activities soon yielded fruit. On April 1, China withdrew its vessels from the disputed area and agreed to resolve the problem through consultation with Hanoi.²⁵⁸

Moreover, it was during the Prueher visit that the U.S. and Vietnam would show signs of a closer “limited security arrangements.” The United States invited senior Vietnamese military officers to the Asian-Pacific Center for Security Studies in Hawaii.²⁵⁹ Moreover, “Prueher suggested equipment exchanges or sales, tactical discussions and joint training exchanges in jungle warfare.”²⁶⁰ While these discussions in the 1990s were at the infancy level, it opened the door for further collaboration in the 2000s.

²⁵⁵ Wurfel, “Between China and ASEAN,” 159.

²⁵⁶ Ibid., 156.

²⁵⁷ Carlyle A. Thayer, “The Prospects for Strategic Dialogue” in *Dialogue on US. – Vietnam Relations, Ten Years After Normalization*, ed. Catharin E. Dalpino. The Asia Foundation (2005): 27. http://www.asiafoundation.org/pdf/VN_10_Years_After_Normalization.pdf (accessed July 12, 2007).

²⁵⁸ Vuving, “Strategy and Evolution of Vietnam’s China Policy: A Changing Mixture of Pathways,” 815.

²⁵⁹ Thayer, “The Prospects for Strategic Dialogue,” 27.

²⁶⁰ Ibid., 27.

The 1990s was a change from the past for Vietnam. In the decade, Vietnam realized that “small and medium powers within the region, if banded together in a vigorous regional organization, may also have a role to play in dealing with China.”²⁶¹ This soft balancing approach through regional forums provides Vietnam with options (diplomatic, economic) in coping with China versus traditional balancing acts which stipulated military alliances. Additionally, throughout the 1990s, Vietnam expanded its omni-directional foreign policy and harvested close ties with each ASEAN member states, the European Union, Japan, India, Taiwan and the United States. Since Vietnam’s membership in ASEAN in 1995, it has established diplomatic relations with over 160 nations and trade relations with over 100 countries.²⁶² It also joined APEC in 1998 further integrating itself within Asia’s economic sphere. All of these actions may have “spillover” effects in terms of economic cooperation and security issues which could assist Hanoi with options to balance China.

It is also important to note that while Vietnam did branch out in its foreign policy, Hanoi did reach an accord on the Land Border and Tonkin Gulf as well as the 16 World Guidelines with China. Through diplomatic and economic engagement, Vietnam did ensure contentious issues did not get out of hand in the 1990s. It leveraged ASEAN to increase its bargaining position with the PRC.

D. SOFT BALANCING IN 2000: LIMITED SECURITY COOPERATION AND DIPLOMATIC ENTANGLEMENT

In the new millennium, Vietnam continues to engage China through economic cooperation and diplomatic talks but also uses soft-balancing techniques to hedge against China. This section will illustrate Hanoi has used two characteristics of the soft balancing strategy with regards to China: security cooperation just short of formal alliance and diplomatic maneuvering to frustrate an opponent.

As stated, Vietnam and China signed treaties concerning the Land Border and the Tonkin Gulf. Since the treaties, the two sides have enhanced economic cooperation and

²⁶¹ Wurfel, “Between China and ASEAN,” 155.

²⁶² Bui Thanh Son, “Vietnam-U.S. Relations and Vietnam’s Foreign Policy in the 1990s,” 203.

cross border trade. China and Vietnam implemented plans for an economic corridor linking northern Vietnam with southern China. Moreover, the two sides continued to discuss the actual planting of border markers in 2004. In the Tonkin Gulf, the two sides officially ratified the Delimitation Treaty and Fishing Cooperation Treaty in 2004.²⁶³ Moreover, they have exchanged verification and implementation procedures. Additionally, both sides have established procedures for joint naval patrols in the Tonkin Gulf.²⁶⁴ As for the Con Son Basin, there remain disputes on the EEZ and which country will be able to exploit the natural resources due to various claims to the Spratly Islands.

1. Limited Security Cooperation

Vietnam has continued to seek security cooperation with a wide range of nations since 1990s and 2000. As Thayer stated in 2005, Hanoi since 1990 opened up defense dialogue with 60 countries.²⁶⁵ Moreover, “In the period from 1990-2004, Vietnam has exchanged over 266 high-level defense visits with 40 countries, including thirty at ministerial level.”²⁶⁶ The effects were signed defense cooperation agreements with various states ranging from the EU (Germany/Italy) to South Korea.²⁶⁷ This has transpired into 32 foreign naval ships visits to Vietnam from 15 different countries since 1990 to include the United Kingdom and Australia.²⁶⁸ While the above security cooperation schemes are with middle-tier level states, Vietnam has increased its security cooperation with the world’s remaining superpower, the United States.

Hanoi has slowly gained closer ties with the Washington in the new decade. In the late 1990s and early 2000s, visits continued from senior defense officials from both nations. The tangible effects occurred in 2003, as the U.S.S. Vandergrift and 200

²⁶³ Hong Thao Nguyen, “Maritime Delimitation,” 25.

²⁶⁴ Vietnam Ministry of Foreign Affairs: http://www.mofa.gov.vn/en/cn_vakv/ca_tbd/nr040818094447/ns070621153953 (accessed September 12, 2007.)

²⁶⁵ Thayer, “The Prospects for Strategic Dialogue,” 29.

²⁶⁶ Ibid., 29.

²⁶⁷ Ibid., 29.

²⁶⁸ Ibid., 27.

military personnel visited Vietnam's Ho Chi Minh City (formerly Saigon). This was the first visit by a US Navy warship since the Vietnam War ended.²⁶⁹ As former United States Ambassador to Vietnam, Raymond Burghardt said:

Vietnamese officials commented to us that these events would be high profile: Vietnamese people and Vietnam's neighbors would immediately understand that the U.S.S. Vandergrift steaming up the Saigon River symbolized a significant improvement in bi-lateral ties.²⁷⁰

Moreover, Burghardt stated in 2005 that "Over the past two years, Vietnamese officials and think tank experts have expressed regular concern over China's rapidly deepening ties with Cambodia, Laos, Burma and Thailand."²⁷¹ As a way to counter and balance China, Burghardt also indicated, "In private and even some semi-public meetings, authoritative Vietnamese officials specifically raised the Chinese angle in their newfound enthusiasm for the US."²⁷² As a result, cooperation increased with regards to expanding international military education and training of Vietnamese military officers in the United States and a joint counter-narcotics training session with U.S. federal agencies and Vietnam in 2004.²⁷³ Additionally, an indication of warmer relations is at the invitation of United States Pacific Command, Vietnam's deputy chief of defense attended the Asia-Pacific Chiefs of Defense Conference in Japan, 2004.²⁷⁴ Also, there have been two other U.S. Naval ship visits to Vietnam. Finally, there continues to be high-level visits between senior defense leaders from Vietnam and the United States such as Rumsfeld's visit to Hanoi in June 2006.

²⁶⁹ Mark Manyin, "U.S. Vietnam Relations," November 2006.

²⁷⁰ Raymond Burghardt, "US-Vietnam: Discreet Friendship Under China's Shadow," *Yale Global*, November 22, 2005. <http://yaleglobal.yale.edu/display.article?id=6546>, (accessed September 7, 2007).

²⁷¹ Ibid.

²⁷² Ibid.

²⁷³ Manyin, "U.S. Vietnam Relations," November 2006.

²⁷⁴ Thayer, "The Prospects for Strategic Dialogue," 28.

2. Diplomatic Entanglement

Evidence of diplomatic soft balancing occurred within ASEAN and prior to the first East Asian Summit (EAS) in December 2005. It has two facets, exclusion of outside states in Asia (India, New Zealand and Australia) and blocking United States attendance. Vietnam agreed with Japan that the United States should be invited. However, China sought to exclude the United States. Apparently, Vietnam sided with Japan and raised their opposition behind closed doors but did not want to challenge China in public.²⁷⁵ While Hanoi lost the small diplomatic issue (US did not attend), it was successful in another one. China quietly sought to exclude India, New Zealand and Australia from the summit, but Vietnam, Indonesia and Singapore pushed for their attendance.²⁷⁶ While the United States did not attend the EAS, according to Pham, “There is every reason to believe that Vietnamese leaders believe that their national interests can be better secured through an at least tacit strategic partnership with the offshore United States than in succumbing to the aspiring onshore hegemon next door.”²⁷⁷

E. CONCLUSION

Vietnam’s foreign policy strategy with China concerning the land border disputes is closely linked to overlapping national interest--economic. Hanoi has not used a soft balancing strategy to deal with issues concerning the land border disputes. The two countries realize that economic trade facilitates cooperation and further promotes economic growth in cross border trade.

In the South China Sea, particularly the Tonkin Gulf, Vietnam used an engagement strategy to discuss the issue of overlapping claims with China while it simultaneously established diplomatic ties with ASEAN and outside state actors. Because China has more power (economic, diplomatic standing, military) than Vietnam, Hanoi sought to link itself into regional forums to counter the China threat. The soft

²⁷⁵ Dosch, “Vietnam’s ASEAN Membership Revisited,” 251.

²⁷⁶ J. Peter Pham, “US Primed for Vietnam Visit,” *Asian Times Online*, June 15, 2007. http://www.atimes.com/atimes/Southeast_Asia/IF15Ae01.html, (accessed July 25, 2007).

²⁷⁷ Ibid.

balancing techniques of entangling diplomacy and limited security cooperation served Hanoi well because symmetrically, China has more aggregate power. Soft balancing allowed Vietnam to circuitously challenge China to ensure a level playing.

Since 2000, Hanoi has followed a dual track strategy of economic engagement and talks with Beijing while simultaneously linking itself within regional forums and fostering tacit security arrangements with various countries to include the United States. These soft balancing strategies allow Vietnam to leverage existing regional forums to challenge China indirectly through diplomatic entanglement while also ensuring limited security arrangements are in place to hedge against Chinese aggression.

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V. CONCLUSION

Vietnam's foreign policy toward China has evolved over three decades. It has changed from traditional balancing act to a hybrid approach of engagement and soft balancing. In the 1970s, Vietnam practiced traditional balancing acts to ensure its independence. It sided with Russia and China to ensure its independence from the United States. Toward the end of the 1970s, China's actions in the South China Sea, the land border and its coercive military actions toward Vietnam's internal affairs concerning ethnic Chinese would awaken historical distrust. By the end of the 1970s, Vietnam leveraged Russia to balance against the China threat. Hanoi's ambition to control Southeast Asia combined with its invasion of Cambodia would have negative effects. Vietnam was isolated from the international community and relied solely on Moscow's assistance for military and economic aid.

In the mid 1980s, Hanoi's economy was in ruins due to the failure of the Soviet economic model and its occupation of Cambodia. Inflation rates were triple digits and Vietnam's leaders realized the nation was in dire straits. The VCP realized it had to change course and seek economic development to strengthen its position against China. Additionally, what amplified Vietnam's plight was the Soviet Union's reversed course and policy of peaceful relations with China. This shift would see Vietnam's aid from the Soviet Union diminish and Moscow's eventual collapse from superpower status left Vietnam without a "sponsor." Vietnam had little choice but to cooperate with the China in the late 1980s and early 1990s. Hanoi realized that it had to slowly integrate itself into the world economy and international stage. This meant it had to withdraw from Cambodia, make peace with China and then slowly establish diplomatic and economic linkages with Southeast Asia countries and the world. At the end of the 1980s, Vietnam realized it could not put all its eggs in one basket and rely on support from just one country or superpower. Hanoi learned that superpowers may come and go or change their priorities, but China is always next door to Vietnam.

In the early 1990s, Vietnam and China shared a common purpose of stability and peace to promote economic growth. The two sides agreed to cooperate and solve lingering issues such as the land border and maritime disputes through diplomatic efforts. However, China's actions in the Con Son Basin and Tonkin Gulf forced Vietnam to diversify its foreign relations with other countries and integrate into regional forums. While Vietnam continued to engage China it also was able to softly balance against Beijing's actions leveraging ASEAN. Throughout the 1990s, Vietnam cooperated with China in terms of economic trade and diplomatic talks to solve contentious issues. However, it "softly balanced" against China's aggression through omni-directional foreign policy. As evident in the Kantann III affair, Hanoi was able to play the ASEAN card to balance China's aggressive posture. This dual strategy allowed Hanoi to cooperate with China and also establish links to various countries within Southeast Asia and outside state actors through diplomacy, limited security arrangements and economic interdependence. This strategy allowed Vietnam to leverage multilateral and regional forums to enhance its bargaining position versus China.

Most recently, Vietnam's foreign policy strategy toward China is to use soft balancing techniques (diplomatic entanglement and limited security cooperation) along with diplomatic and economic engagement. Vietnam continues routine diplomatic contacts with China to facilitate stability and economic trade. However, it simultaneously works to increase its ties with other state actors and regional forums to prevent overdependence on China. This strategy of enmeshing Vietnam into regional organizations and economic interest of nations has provided options to counter the China threat. Moreover, scholars suggest that a traditional balance of power tactic in dealing with China would only antagonize it.²⁷⁸ As such, Vietnam has learned to refrain from this approach and sought to use soft balancing tactics and multilateral approaches to engage China.

The United States must realize that Vietnam has learned traditional balancing acts against China with outside regional actors have negative impacts. From Hanoi's

²⁷⁸ Wurfel, "Between China and ASEAN," 156.

perspective, superpowers come and go or even change their priorities or national interest, but China remains. As such, Vietnam cooperates with China to ensure stability and economic prosperity. However, historical memory and aggressive Chinese actions cause Vietnam to seek alternatives to ensure its sovereignty.

Vietnam does not want to rely on a single superpower again. It has sought to diversify its foreign relations and economic linkages to ensure it has various options to deal with its powerful neighbor, China. It continues to link itself into regional and international forums to leverage these institutions as a force multiplier indirectly against China should it feel threatened. Additionally, should regional forums and institutions fail, Hanoi continues to expand limited security arrangements with various states as a hedge against outright Chinese aggression. While these arrangements are small in scope and short of a formal military alliance, they provide options should China take an aggressive posture.

The U.S. strategy toward Vietnam should be a three-part approach. First, the United States must engage Vietnam within the framework of regional forums and institutions. Hanoi uses the respective forums to softly balance and challenge China's dominance in Asia. Second, economic engagement with Vietnam must continue. While Vietnam's economy continues to grow at a robust pace it still requires foreign direct investment and access to Western markets for economic prosperity. Additionally, Vietnam is also a viable alternate manufacturing base for the United States should relations with China go wrong. As for military related issues, Washington must realize that Vietnam does not entirely trust China but cannot afford to be seen as the cornerstone in a U.S. containment strategy against China. As such, the United States should continue to expand limited security arrangements with Vietnam. These can range from small scale military operations (U.S. Navy ship visits, IMET training) to collaboration on transnational issues such as piracy, humanitarian assistance and terrorism. These actions will facilitate confidence building measures between the two countries without raising too many eyebrows from Beijing. The United States already performs many of these limited security arrangements with other members of ASEAN.

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